

NEWS SUMMARY

GENERAL

Munich bomb blamed on Right

Right-wing German terrorists are believed responsible for the bomb explosion which killed 12 people in Munich on Friday and injured more than 200. The blast hit revellers at the city's Oktoberfest beer festival. One of the people killed, named as Herr Gundolf Koshler, is believed by police to have planted the bomb. With only days before the election, the outrage has become a delicate political issue. Chancellor Helmut Schmidt has urged that it should not influence voters, but his opponent, Herr Franz Josef Strauss, Bavarian state premier, has accused the Interior Minister of creating a climate favourable to atrocities. Back Page: No threat. Page 3

about violence

The Labour Party's National Executive Committee and the trade unions patched up disagreements over funds at a meeting held to avert a clash at the Party conference. Page 6

Gang of Ten

China's "Gang of Four" will be tried with six supporters of former Defence Minister Lin Biao. Charges will include plotting to murder Chairman Mao. Page 3

Boxing violence

Sport Minister Hector Monro has asked for a report from the British Board of Boxing Control on the "disgraceful" bottle-throwing by crowds after Alan Thring lost his world middle-weight title in London. Page 3

Poles may strike

Gdansk Free Trade Union threatened a one-hour strike in north Poland next Friday in protest against Government failure to fulfil pay rise agreements. Page 3

Help for needy

The Mormon Church is encouraging members not to draw the dole, and plans a self-help scheme with farms to grow food for the needy.

Shah claimed denied

RBC denied claims in the late Shah of Iran's autobiography that it made "virulent attacks" on his regime as part of a united media campaign against him.

Salisbury deaths

Violence flared in a white suburb of Salisbury for the first time since independence. A grenade and rifle attack on a bar killed two Africans and injured 25. Page 3

Dissident freed

Czechoslovak dissident Otta Bednarova, serving a three-year sentence for subversion, has been released after a year for health reasons. She has chronic hepatitis.

Bitter harvest

The Bishop of Warrington criticised the "massive" sentimentalism of harvest hymns and the "preoccupation with horticulture" in yesterday's harvest festivals.

Footnote

The average Briton owns seven pairs of shoes, boots or slippers and buys three pairs a year, a survey showed. Many Londoners have more than 15 pairs.

Briefly...

Fog caused thousands of passengers to be diverted from Heathrow Airport.
Premium bond 15K 058871, Stoke on Trent, won £100,000, and 13PK 557087, Cambridge, won £50,000.

BUSINESS

West will fight move to revise IMF role

MAIN INDUSTRIAL nations at the annual meeting of the International Monetary Fund and World Bank in Washington are reluctant to meet demands by developing nations for expansion of resources and reform of the monetary system. But the meeting is expected to make more credit available on slightly easier terms. Back Page

SAUDI ARABIA has signed a contract with Royal Dutch Shell worth SR 10bn (£1.26bn) for part of a petrochemical complex at Jubail on the Gulf coast. Back Page

MANUFACTURING companies have sharply increased their bank borrowing during the summer in a bid to weather the financial squeeze due to recession, but the underlying growth of bank lending appears to have fallen slightly. Page 4

COMPANY LIQUIDATIONS are running at a rate over 50 per cent higher than last year, a specialist report discloses. In the first 39 weeks of 1980, there were 564 compulsory liquidations against 215 previously and in the third quarter the number was up nearly 90 per cent. Page 14

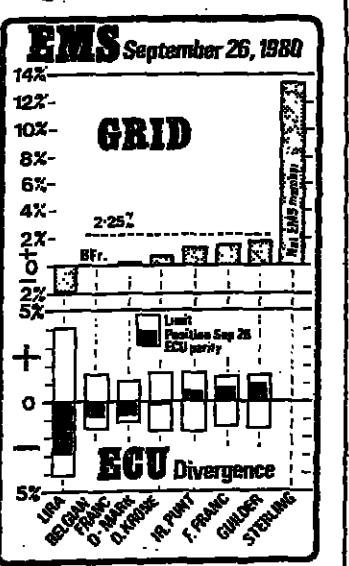
FT GROCERY Prices Index fell 0.8 per cent in September due to declining prices of fresh fruit and vegetables while other items remained stable. Page 4

PORT OF LONDON Authority is seeking to eliminate another 650 jobs this year as a result of expected losses of £15m. Page 6

RODCO, owned by General Electric and Pirelli, plans to build a continuous casting copper rod mill, at Skelmersdale on Merseyside to open in 1982. Page 14

SEATRAN LINES Atlantic container service moved into the red with a fourth quarter loss of \$32.4m (£13.5m) against a previous profit of \$514,000. Page 20

DUTCH GUILDER remained at the top of the European Monetary System last week, followed by the French franc and the Irish punt. The franc maintained its position on high domestic interest rates as the French authorities acted to protect the franc from the effects of rising inflation and poor trade performance. The Danish krone was steady for most of the week while the D-mark was placed close to the bottom of the system with the Belgian franc. The latter showed little reaction to the easing of some domestic interest rates, while the Italian lire remained the weakest currency, edging slowly towards its maximum permitted divergence.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2.5 per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of currencies.

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Iraqi air build-up brings fear of thrust on Hormuz

BY SIMON HENDERSON IN BAHRAIN AND DAVID BUCHAN IN WASHINGTON

IRAQ IS building up its air strength in the southern end of the Gulf. Western diplomats fear that it could be preparing for an early attempt to seize the disputed islands near the strategic Strait of Hormuz at the mouth of the Gulf.

The movement of the aircraft, including at least one transport plane and several French-made Super Frelon troop-carrying helicopters, has been made with the tacit, if not active approval, of the lower Gulf states. According to diplomats, two of the helicopters passed through Bahrain on Friday, but it is not clear if they were heading for Oman or the United Arab Emirates (UAE). Several more went through at the end of last week.

But these troop movements may be for another purpose. However, an Iraqi attack on islands would be regarded by Iran as a major escalation of the war.

Sheikh Sagr bin-Mohammad, ruler of the northernmost Emirate in the UAE of Ras al-Khaimah, which controlled two of the islands known as the Tumbis until they were seized by the Shah in 1971, paid a secret visit to Iraq last week.

Last Saturday, the Iranian joint chiefs of staff said: "There is evidence that some southern sheikhdoms in the southern Gulf give refuge to Iraqi forces."

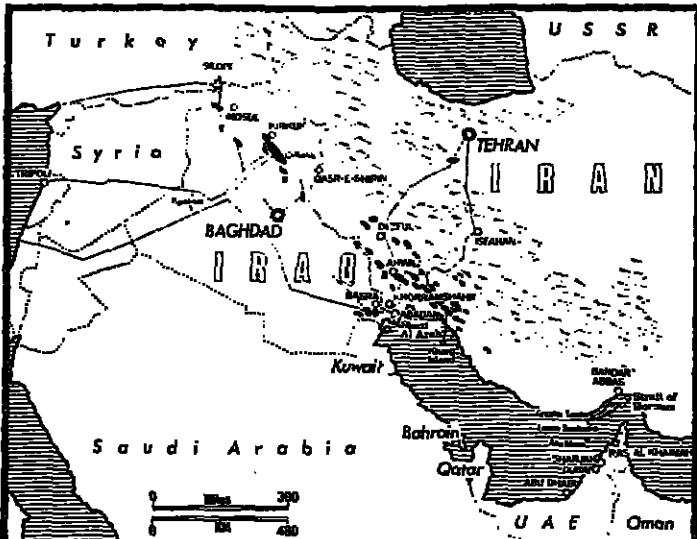
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The bitter resolution, down for debate on Wednesday, complains that the trading position of the UK with the rest of the Community has worsened in every respect, and calls for Britain to disengage from all EEC institutions.

The signs that the Labour Party is escalating towards withdrawing drew a dramatic threat from Mrs. Shirley Williams that she would be forced to quit the party, should this finally happen.

"I would say this is such a long step away from internationalism that I do not believe I could stay in the Labour Party," she declared on Independent Television's Week-end World.

Her warning drew immediate protests of blackmail from anti-Marketisers, and it could severely embarrass fellow pro-



forces," and warned that if this continued, Iran would react in whatever way it deemed necessary.

An American official confirmed in Washington yesterday that there had been considerable Iraqi air movements over much of the Gulf in recent days. He "would not discount" reports that Iraq was preparing an assault on the Iranian-held islands of Abu Musa and the greater and lesser Tumbis, although Washington had no

official confirmation to offer. Iraq has always insisted on the return of the islands to Arab sovereignty. Their takeover by the Shah was considered a major blow to Arab pride, and they have become an issue in Arab politics ever since.

An attack on the islands would benefit Iraq by opening up another front against Iran and perhaps forcing the Arab oil states on the western side of the Gulf, notably Saudi Arabia, to move closer to Iraq on a pan-Arab issue.

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Zia truce bid has failed, says Iran

BY ROGER MATTHEWS

THE Iraqi Army pushed deeper into Iran yesterday. It claimed to have captured the city of Ahwaz, though this was denied by Iran. Further north it was moving towards the strategic town of Dezful with its large air base some 40 miles from the border.

These territorial claims appear not to be weakening Iran's determination to keep fighting. General Zia Ul-Haq of Pakistan left Tehran last night without his Islamic goodwill mission having made progress towards conciliation. "Iran is still in a revolutionary stage when conciliation and mediation do not work," he said before leaving for Baghdad.

An aide of President Bani-Sadr commented on General Zia's visit: "He achieved nothing. It was nice of him to come, but we are going to fight on until the last Iraqi soldier is off Iranian soil."

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WRESTLING WITH RECESSION

Is British industry being squeezed to death by the Government's policies so that manufacturers will not be able to respond quickly enough when the recession ends? Or will companies emerge leaner and better equipped to compete internationally? The Financial Times today starts a series of articles on individual companies' problems in coping with the recession.

JOHNSON AND FIRTH BROWN

"We shall only know in retrospect whether we approve of Government's policies," says Mr. Philip Ling, general manager of Johnson and Firth Brown, the subject of today's article on Page 12. "It's like having an operation without an anaesthetic. If it saves your life you will be grateful later, but while it's going on you scream like hell."

COSSIGA'S GOVERNMENT FALLS

Italy raises bank rate to protect lira

BY RUPERT CORNWELL IN ROME

THE ITALIAN Government last night lifted the bank rate to 16.5 per cent from the previous 15 per cent, in a first move to repair the country's shattered economic policy and protect the lira, following Saturday's resignation of the 178-day-old administration of Sig. Francesco Cossiga.

The single-vote Parliamentary defeat which unseated the Government also left Italy's economic strategy in ruins by throwing out the major stabilisation package launched last July. At the same time fears were mounting over a severe attack on the already weak lira when exchange markets reopen today.

Key sectors

Although a political crisis has been looming, the fall of Sig. Cossiga was not expected so quickly. The serious implications were underlined yesterday by the speedy return to Rome of Sig. Filippo Maria Pandolfi, the Treasury Minister and head of the International Monetary Fund's Interim Committee, and of Sig. Carlo Azeglio, governor of the Bank of Italy, from the Fund's annual meeting in Washington.

The withdrawal of the economic decree means that plans for tax increases of L3,350bn (£1.67bn) and measures to boost industry's competitiveness and to aid key sectors in trouble, automatically lapse.

The Bank of Italy has always insisted that with the \$57bn of reserves it held, a lira devaluation could be warded off. But it has also let it be known that success would largely hinge on the economic package going through Parliament and a Government crisis being avoided. Both these conditions have now lapsed.

Confusion reigned yesterday over which measures of those

already in force would have to be rescinded, and how. It seems probable that at least part of the 90-article decree will be re-issued, while further purely monetary moves could not be ruled out.

The bitterness and complexity of the political crisis, caused by the rebellion in a secret vote of about 30 nominal supporters of the coalition of Christian Democrats, Republicans, and Socialists, means that an early solution is unlikely. Nor can the last resort of early general elections be excluded.

But one ray of hope came yesterday from the Communist Party, whose unremitting opposition to the Government has been behind its downfall. Top PCI spokesmen implied that the party would go along with urgent moves to prevent the economy spinning out of control.

On the eve of the crisis, the Government issued provisional 1980 estimates suggesting that Italy, while growth would remain high at up to 4 per cent, would have a current deficit of L6,000bn (£2.9bn) and inflation of about 15 per cent.

Another important signal of peace came from Fiat, and helps remove the risk that economic and political crises might become enmeshed with an even more dangerous "hot autumn" on the industrial front.

The Turin group, paralysed over its plans to shed 14,450 jobs, announced immediately after the demise of Sig. Cossiga that "out of a sense of responsibility" it was suspending redundancies until the end of 1980.

This in effect gives a three-month breathing space for agreement in the deadlocked negotiations between management and unions.

Crisis may mean early poll, Page 3

ENTERPRISE ZONE... ...COMMERCIAL PARADISE

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Row between Eurocheque and Visa may lead to court action

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE LONG-RUNNING rivalry between Visa and Eurocheque, two of the world's leading international retail banking organisations, has become a bitter dispute which could result in Visa taking court action against Eurocheque.

The dispute is already splitting the European banking community, with a number of the leading banks which are members of each of the organisations taking up strong positions.

Visa, with its credit/debit plastic payment card and traveller's cheque, originated in the U.S. and has 15,000 members in more than 150 countries. Its British member is Barclays Bank.

Eurocheque is the result of an initiative by West Germany's Deutsche Bank, strongly supported by banks in a number of other European countries, and particularly those in Holland and Belgium.

Competition between the two organisations has taken a new turn in the past month, which it has emerged that a leading Dutch savings bank, Centrum Bank, has been advised not to go ahead with its planned Visa membership by the Dutch central bank.

In another incident, Visa member banks claim that pressure was applied to prevent a travel card deal between Visa and Lufthansa, the West German national airline, going through.

The first indication that Visa is to take a much tougher line in what it claims are the anti-competitive practices of Eurocheque and its member banks came at the recent annual meeting of Visa International in Quebec City. Here Mr. Dee Hock, the Visa president, told member banks that it was time to deal with "the decade long unsuccessful attempt by the Eurocheque interests to thwart the European growth of Visa."

Mr. Hock charged that prospective Visa members, and "even newly-announced members" are subjected to economic and political pressure by some

European banks, central banks and banking associations to honour "understandings" and "unwritten agreements" to deal exclusively with Eurocheque products.

Visa is particularly concerned about the power and influence of Dr. Eckart Van Hooven, head of retail banking at Deutsche Bank, in the Eurocheque payment systems group.

Dr. Van Hooven is strongly opposed to the Visa concept of mass credit cards. He said last week that they could be used to draw away profitable customer credit business from banks. They could also fuel inflation and damage a nation's balance of payments position, he said.

Dr. Van Hooven said yesterday that Visa and its president were getting matters out of proportion. "I favour competition, and the German private banks know more about that than those in many other countries," he said.

THE IRAQ/IRAN CONFLICT

Gulf states would pay a high price for giving help to Iraq

BY JAMES BUXTON

IF THE small Arab states of the Gulf are becoming embroiled in the Iran-Iraq war by providing sanctuary for Iraqi military aircraft or even springboards for Iraqi operations, the consequences for them are unlikely to be anything but bad.

Superficially, life in the Gulf states—Kuwait, Bahrain, Qatar and the United Arab Emirates—is somnolent, except on the multi-lane highways. They are, in effect, city states, the cities consisting of elegant modern office buildings and banks, luxury villas and some of the newest and most comfortable hotels in the world. The Gulf states do everything they can to cultivate an atmosphere of relaxed prosperity, and to pursue foreign policies of being friends to everyone.

But in practice they are extremely weak, existing in what has been a power vacuum since the British left in 1971. It is not just that their armed forces are small, inexperienced and not always composed of their own nationals, nor that the Iraqis and Iran, they possess excellent targets and are hard to defend.

It is rather that as political entities they lack substance.

having survived up to now thanks to almost constant rising prosperity and considerable internal vigilance. Just as other city states of the Gulf have in past centuries been swept away by such events as the Mongol invasions or the arrival of the Portuguese navy, the present Gulf states may be unable to withstand the forces which may emerge from the present conflict.

The Gulf states have been feeling increasingly anxious since the Iranian revolution began in 1978. Last autumn there were disturbances among the Shia Muslim majority in Bahrain, caused partly by incitement from Tehran and partly by lingering tensions in a state ruled by the Sunni minority.

The whole region was alarmed last November when the seizure of the Grand Mosque in Mecca by Sunni Muslim fanatics was swiftly followed by riots among Saudi Arabia's Shia minority, which is concentrated in parts of the oil-rich Eastern Province. Further riots took place in the town of Qatif in February this year. The Gulf states depend heavily on Saudi Arabia and rarely get far out of step with it in foreign policy.

The small Gulf states, because they are Arab and because they fear the spread of the Iranian revolution, are tacitly backing Iraq. But a totally victorious Iraq could hardly be welcomed in the Gulf: the Iraqi Ba'athist regime, with its mixture of Arab nationalism, socialism and ruthlessness, is anathema to the monarchies of the Gulf.

While Iraq may always be at a disadvantage in extending its sway down the Gulf because of its short coastline, Iran will suffer no such difficulty. If Iraq brings the Gulf states into the fight with Iran, the Arab states can expect no quarter from Iran now or in years to come. The two most anxious states are the United Arab Emirates and Bahrain.

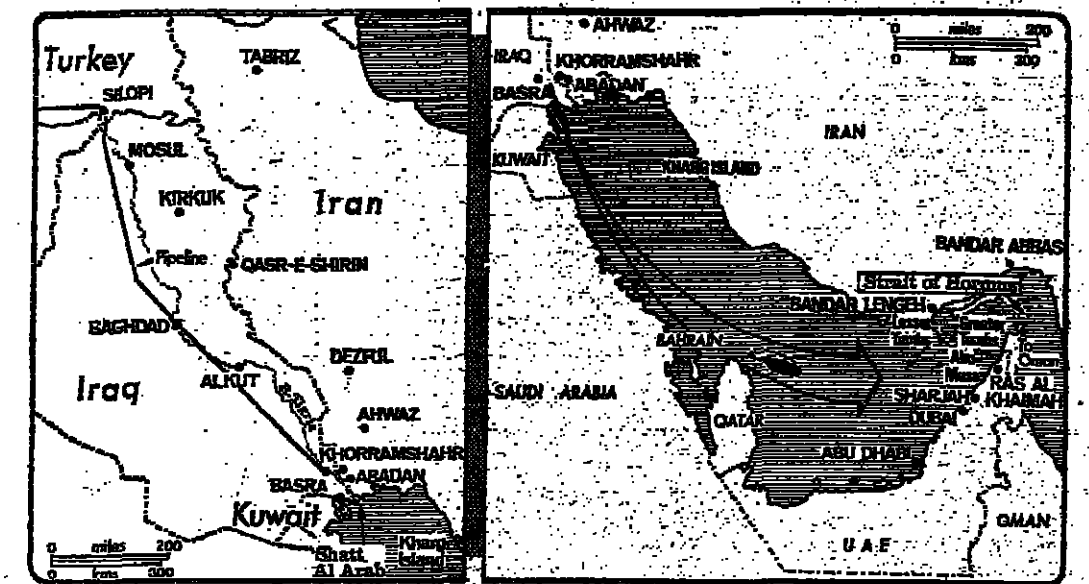
In the United Arab Emirates Dubai, the federation's main trading centre, has an important minority of Persian extraction, and the whole emirate is heavily involved in trade with Iran. This has, if anything, accelerated since the imposition of Western sanctions. Naturally, the Emirates would like to see the return to full Arab sovereignty of three islands in the Gulf: the Greater and Lesser Tumbs were seized by Iran from Ras Al Khaimah, the northernmost Emirate, in 1971, while at the same time an agreement was reached between the Emirate of Sharjah and Iran to share the island of Abu Musa, leaving open the question of who has sovereignty over it. The islands are of more symbolic importance than anything else. Abu Musa is close to an oilfield operated by Sharjah, but its population is mainly engaged in fishing.

The federal government in Abu Dhabi would consider war much too high a price to pay for their return. It may, however, have little choice.

Similarly, Bahrain, which has been the subject of the most outspoken verbal attacks by the Khomeini Government since the Iranian revolution, has to tread carefully. Its ruling family is Sunni Muslim, but the majority of Bahrainis are Shia, some of them of Persian origin. Last autumn, when several Arab states pledged their support to Bahrain as Iran threatened to revive a long-standing territorial claim abandoned in 1970, there were signs that Bahrain was embarrassed.

The Gulf states' basic problem, although it varies in intensity from Kuwait to the Emirates, is that these states have small and generally inexperienced indigenous populations (indeed, Abu Dhabi was largely a Bedouin and date-growing community until oil was produced commercially in 1962). Quite apart from the border disputes and tribal relationships which afflict the seven emirates, as well as relations between all the Gulf states and with Saudi Arabia and Oman, their great weakness is heavy reliance on foreign workers. Although Bahrain's population is largely indigenous, those of the other states are outnumbered by immigrants, and their administrations are to a large extent run by other Arabs—Egyptians, Palestinians, Iraqis, Syrians and Sudanese.

At best, the incomers make administration clumsy and unresponsive to the needs of the indigenous inhabitants. At worst, they bring in alien and destabilising political ideas, bring these states into the turmoil of the Arab politics of the Levant and—in the view of some—constitute the nucleus of a possible coup d'état. Against this weak political background, the smaller Gulf states await developments in the war.



The Sultanate of Oman, which is outside the Gulf, is in a slightly happier position. Its indigenous population is rather bigger than that of its Gulf neighbours, although equally inexperienced, there are fewer immigrants, and Oman has been a political entity—although frequently a divided one—for more than a millennium. It has tended to take an inde-

pendent line in regional politics—it has not totally given up its support for the Camp David agreement between Egypt and Israel—and has rarely been on warm terms with Iraq. Much of the sultanate's efficiency is due to the core of British officers in the armed forces. But the sultanate caused more controversy last July by agreeing to allow the U.S. in-

creased use of its military facilities in emergencies. The passage through the Straits of Hormuz passes through Omani territorial waters. Oman's forces, although often regarded as the most effective in the Arabian peninsula, are inferior to those of Iraq and Iran. In a Gulf crisis such as this, Oman could still be dragged into the fighting.

U.S. affirms pledge on Hormuz

By David Buchan in Washington

THE U.S. and its allies "all recognise a common need to keep the Strait of Hormuz open," for oil to flow out of the Gulf, Mr. Warren Christopher, Deputy Secretary of State, said yesterday.

In a television interview, he expressed concern at the pace at which the Iran-Iraq war had escalated from ground skirmishes to a full-blooded clash, and at the possibility it might affect Western oil interests.

Mr. Christopher firmly reiterated President Carter's pledge to keep the Hormuz Strait safe for tankers, and suggested the West was united on the need to take steps to prevent any trouble there. Germany has ruled out participation in any naval force, but Mr. Christopher pointed out the U.S., France and Britain had sizeable naval contingents in the Indian Ocean.

The U.S. "would want to consult countries in the area, such as Saudi Arabia, before taking any steps," Mr. Christopher said. But he noted that free movement of oil was in the interest of "the sellers of oil as well as the purchasers."

The U.S. was not negotiating with the Iranian Government to supply it with badly-needed arms spare parts and ammunition for its U.S.-equipped armed forces in return for the release of the captive U.S. hostages, the Deputy Secretary said.

But this military need by Iran was one of "the objective reasons why they (the Iranians) should settle" the hostage issue as speedily as possible.

Ayatollah urges Iranians to defend every inch

BY A SPECIAL CORRESPONDENT IN TEHRAN

AYATOLLAH KHOMEINI yesterday warned the people of Iran that they would have to fight hand to hand with the Iraqi invading forces. He also urged them to defend every inch of their country, in a taped message which indicated that the Iranian leader is beginning to appreciate how desperate the fighting in the south west of the country had become.

In the capital itself, where the Islamic mission led by President Zia ul-Haq of Pakistan has been having talks, people were sent scurrying to their cellars following the declaration of a red alert by the armed forces for the fourth day running.

For over an hour, heavy anti-aircraft guns fired tracer bullets into the sky with the heaviest firing coming from the city's airport area and the part of the city where Ayatollah Khomeini

is in residence. The blackout during these moments of drama is almost total. Often the electricity is cut off. Revolutionary guards have been going the rounds, making sure that no candles or torches

ISRAEL WOULD be willing to supply weapons to Iran if it were to change its anti-Israel stand, according to Mr. Mordechai Zippori, deputy Defence Minister, David Lennon reports from Tel Aviv.

President Zia left Tehran yesterday only a couple of hours before the evening fireworks began. He had been in the city for 24 hours as part of a two-man Islamic Conference delegation to explore the

possibilities of starting talks to end the war.

He was joined in Tehran this morning by the second member of the delegation, Mr. Habib Chatti, the Secretary of the Islamic Conference, who had

Israel could give Iran important logistical help, the Minister added. He noted that Iranian gunboats use the Israeli-made Gabriel sea-to-sea missile, and that its armoured corps uses Israeli artillery shells.

come from Saudi Arabia in the personal jet of the Pakistani President.

Both President Zia and Mr. Yasser Arafat, the Palestinian leader, met President Abdolhassan Bani-Sadr on Saturday night and Mr. Arafat also met Mr. Hashem Rafsanjani, the

Speaker of the Iranian Parliament, yesterday morning.

Following the meeting Mr. Rafsanjani said in Parliament: "Talks about mediation are coming from many quarters. The overall policy of this country is decided by a Parliament and this question should be and is being discussed by it. The final decision, which will be either peace or war, will be made by the Parliament."

Little progress seems to have been made so far. Before President Zia flew on to visit Baghdad he said that Iran was still "in a revolutionary situation and not ready for negotiation or compromise." The mood in Tehran is becoming even more nationalistic and determined to beat the Iraqi forces.

On the battle front, the Iranian joint staff yesterday came close to admitting that Iraqi forces have captured a

border town. The joint staff continues to deny the claims from Baghdad that the cities of Ahwaz and Khorramshahr, in the south west of the country, have been occupied.

The Iranian military claimed yesterday that its air force had "destroyed a number of military targets" in Iraq, although the targets were not specified. In another statement, four Iraqi MiGs were said to have been shot down in the course of a raid on the key Iranian oil terminal of Kharig Island.

One woman contacted by telephone in Khorramshahr admitted there was hand-to-hand fighting already in the city.

Ahwaz was reported quiet yesterday afternoon but a resident contacted there said that there had been very heavy shelling all the previous day.



Ayatollah Khomeini

Kurds wary of both sides

By Patrick Cockburn

THE DISSIDENT Kurdish minorities in Iraq and Iran both see an opportunity in the present war to further their own struggle for autonomy, but Kurdish leaders are nervous of appearing to be the puppets of either regime.

For the last year, the Government in Tehran has been locked in battle with Kurds along Iran's eastern border with Iraq. An offensive by the rebels was expected over the next month when rain and cloud would limit Iranian air support to Iranian army and Revolutionary Guard units holding the towns.

Fear of appearing to be the cat's paw of Baghdad may lead the Iranian Kurdish rebels groups to limit their attacks, despite the diversion of Iranian units seeking to stem the Iraqi assault.

The Kurdish groups in Iraq may also keep a low profile. Kurds in London say that two of the three Iraqi divisions previously stationed in Iraqi Kurdistan have now withdrawn, but they do not foresee an immediate offensive by the rebels, even though the Kurdish Democratic Party, the biggest Iraqi Kurdish rebel group, has close relations with Tehran.

They quote Kurds in the city of Arbil in the plain just below the mountains of Kurdistan, as saying there have been continual and accurate Iranian air strikes on military targets around the city.

In the event of a long war between Iran and Iraq, it is almost inevitable that both countries will try to arm the other side's Kurds and that the rebel movements will be unable to resist the temptation to acquire large supplies of machine guns, ammunition, anti-tank and anti-aircraft guns which they have hitherto lacked.



IRAQI TROOPS celebrate the capture of an Iranian fortress at Khomaise.

Iraqis 'planning to consolidate gains'

BY HUSAN HIJAZI IN BEIRUT

THE GENERAL Military Command in Baghdad has announced that Iraqi troops have achieved their objectives and that from here on their goal would be to consolidate the positions they have gained. "Invest the victory and destroy the remaining parts of the Persian armed forces."

The announcement, quoted by Baghdad Radio, was made after a military communique declared that Ahwaz, the capital of the Iranian oil-rich province of Khuzestan, had fallen to the advancing Iraqi troops.

While the Iraqis have contested the Iraqi claim, reports from the area said Ahwaz had come under heavy Iraqi bombardment. The Iraqis reported on Sunday that their

helicopter gunships attacked Iraqi columns, destroying 40 tanks.

It has been established that by reaching the Ahwaz region, the Iraqis are now about 50 miles inside Iranian territory.

The Baghdad announcement suggested to analysts that Iraqi forces will now dig in to occupied territory, which extends all along the disputed Shatt-Al-Arab waterway. Their main objective apparently is to secure control of both banks of the waterway.

The analysts said the Iraqis will wait for mediators and perhaps the United Nations Security Council to arrange a ceasefire or negotiations.

Iraqi officials have made it clear they would withdraw their troops from Iran only after the

Iraqis had recognised and respected Iraqi sovereignty in all of Shatt-Al-Arab. Baghdad has already abrogated the 1975 border treaty under which it shared sovereignty in the estuary with Tehran.

While the Iraqis have made a stronger military response than had been anticipated, especially by the air force, their main test will be in whether they will be able to dislodge the Iraqis from their positions.

While there were signs of support for Baghdad from Jordan, Saudi Arabia and several Gulf states, the war has only made things worse between Baghdad and Damascus. Arab diplomats reported that Jordan has moved military reinforcements to its common border

with Iraq to reassure President Saddam Hussein of effective Jordanian backing should the need arise.

They added that Iraq has apparently received assurances that it could depend on Kuwait for oil supplies for its war machinery should there be shortages as a result of the disruption of Iraq's own industry. A similar assurance reportedly came from the Saudis.

The Baghdad Government newspaper Al Thawra claimed on Saturday that the regime in Damascus had rushed weapons to help the Iraqis. The arms were said to have been airlifted by a Syrian airways 747 aircraft reportedly using Iraqi airspace. Syria denied that the airlift had taken place.

WORLD TRADE NEWS

Nippon loses main part in Mexico deal

By Richard C. Hanson in Tokyo

NIPPON STEEL, the world's largest integrated steel company, has apparently lost out on a bid to win an overall engineering service contract for the expansion of Mexican steel producing capacity.

Sicarsa, Mexico's State-run steel company, so far has awarded Nippon Steel only the engineering work for a 1.5m ton-a-year steel plate mill, just part of a multi-billion dollar expansion programme. Other tenders for engineering services on a gas powered direct reduction iron mill, pelletising facilities, an electric arc furnace and continuous casting machinery are expected to be decided shortly.

Nippon Steel had carried out feasibility studies on the overall expansion programme, which aims at increasing Sicarsa's annual crude capacity to 2.8m tonnes from the present 1.3m tonnes.

The Japanese steelmaker has run into difficulties in other overseas projects in the past few months. A contract to build a large specialty steel mill in the Soviet Union in co-operation with Arzno of the U.S. deadlocked since the Soviet invasion of Afghanistan has been lost. The company was waiting for the U.S. and Japanese Governments to give the go-ahead for the project.

In China, there is uncertainty over the second stage of a large steel mill the company is building near Shanghai. This, however, is mostly because China may not be able to afford it.

CHINA'S GATT ENTRY PLANS

Peking formulates its strategy

BY PAUL CHEESBRIGHT IN GENEVA

CHINA has embarked on a series of intensive but informal talks which will lead to an application for membership of the General Agreement on Tariffs and Trade (GATT), probably next year.

The talks have been held with representatives of the major Western trading nations and with the GATT Secretariat. They have been taking place in Geneva and Peking, as well as Western capitals.

The tenor of these talks confirms that China has made a formal decision to join the GATT and that membership is now seen in Peking as a matter of priority.

So far, however, the only overt indication of China's renewed interest in the GATT is the presence of an official at GATT course on commercial

policy, currently running in Geneva.

China is evidently seeking a detailed briefing on the workings of the GATT and is trying to find out about the benefits and obligations membership would entail. It is unlikely that, until such details have become explicit, a formal initiative will be taken.

It appears that China is anxious to avoid, for reasons of prestige, a prolonged formal negotiation on membership.

At the same time, China wishes to come to the GATT as a developing country, thus lifting the balance between benefits and obligations in its direction. But this will prove difficult to arrange on technical grounds.

China was, in fact, one of the countries which took part in the original negotiations to

establish the GATT after World War II, but membership lapsed more than 30 years ago.

The first technical problem to be solved, therefore, is whether China rejoins or starts completely afresh. There is no evidence yet that China has made up its mind on this point.

Rejoining would present legal difficulties. When China withdrew took place, 14 countries had tariff negotiating schedules with China, and concessions were withdrawn. In addition Chinese tariff duties are actually higher now than they were in 1947.

If China simply re-joined the GATT it would also be expected to pay back dues amounting to some \$3m. It is also doubtful whether it could claim developing country status.

China's approach, in any case,

poses a big challenge. The agreement was designed to meet the need of market rather than centrally-controlled economies. Although the GATT has managed to accommodate Hungary, Poland, Romania and Czechoslovakia, the problems of dealing with China are much greater simply because of China's size and long-term economic importance.

Delicate political questions arise from the possible future trading patterns between China and the West. China will be needing to import equipment and high technology goods, not necessarily the consumer goods which some Western nations would like to sell. At the same time China will be seeking to export consumer products—textile goods, for example—which Western nations are anxious to restrict.

Chinese test new aircraft

PEKING—China has test flown its prototype four-engine jet airliner, the YC-10, aviation officials revealed at the weekend.

It was not known the result of the test or how many flights had been made. The first test had been scheduled around the end of August.

The Shanghai-built aircraft was powered by four of the 40 Pratt and Whitney JT3D engines bought by China when it purchased 10 Boeing 707 airliners in 1972. The aircraft has about 120 seats.

There had been suggestions that the YC-10 was a copy of the 707, but there were said to be significant differences in the Chinese aircraft's wing. China was believed to have built three aircraft, but there has been no indication of plans to put the YC-10 into commercial production.

The aviation officials also said China was building its own version of the Soviet Antonov-12 troop transport and the twin-engine Antonov-24. Reuter.

SHIPPING REPORT

Freight rates remain stable despite war

BY OUR SHIPPING CORRESPONDENT

THE MIDDLE EAST fighting has overshadowed the world's freight markets over the last week but, rather surprisingly, it has not led to any panic moves in freight rates.

Naturally, the level of inquiry for tankers loading in the Gulf has been severely restricted. For some time now, charterers have been keeping their ships out of the Gulf and ships have been passing through the Strait of Hormuz only to pick up specific cargoes.

The closure of the Iranian and Iraqi oil terminals in the Gulf has not led to any obvious panic by the charterers to lift crude from the remaining Gulf oil terminals. Western stocks are high and there is a substantial amount of additional oil waiting in storage tankers only a few

miles off the main consuming countries.

Although there have been occasional delays, tankers have been moving freely through the Strait of Hormuz. Some business has been done and a 245,000-tonner, Gulf/Europe, was fixed at Worldwide 40, with the charterers having the option to use it for up to 60 days' storage at \$17,500 per day.

In the dry cargo market, the Iran/Iraq conflict has also had surprisingly little impact, given that up to 500 ships could be seriously affected if the Strait of Hormuz was closed. There has been some reluctance to charter tonnage, but generally rates have held fairly steady. The key U.S./Gulf/Continent grain rate for large Panamax types is hovering around \$14.75.

World pays a price for unstable currencies

BY PAUL CHEESBRIGHT

WHILE FLEXIBLE exchange rates have not distorted international trade patterns, the absence of a stable international currency at the centre of the trading system is imposing significant costs on the world economy.

These are two of the conclusions reached by Mr. Richard Blackhurst and Mr. Jan Tumlin, economists at the GATT secretariat in Geneva, whose study of trade relations under flexible exchange rates is published today.

The authors are at pains to

dispel uncertainties about the impact of floating exchange rates on international trade and at the same time to emphasise the limitations of any policy which seeks to manipulate exchange rates in order to win trading advantages.

Noting that trade expanded more rapidly in the 1970s than did production, the authors suggest that shifting exchange rates had no important adverse effect on the level of international trade. It was during the 1970s that floating, as op-

posed to fixed, exchange rates became the norm.

"Changes in nominal exchange rates have served in most instances to maintain, not alter, the pattern of international competitiveness," the authors state.

The response of trade balances to real exchange rates in eight major countries during 1970s was hardly significant, say the economists.

Governments are warned not to seek to undervalue their exchange rates in an attempt to boost exports.

The world economy is paying the cost of not having a currency of stable purchasing power on which trade might be based. There is no currency capable of playing the role of sterling before 1981 and the U.S. dollar in the years after World War II, the economists say. But, apparently downgrading the potential role of International Monetary Fund's special drawing rights, the economists predict that whatever form the international monetary system takes it will be based "on a major national money."

World Economic Indicators

TRADE STATISTICS		Aug '80	July '80	June '80	Aug '79
France Frbn	Exports	40,752	40,974	40,763	34,375
	Imports	44,770	47,639	46,586	37,846
	Balance	-4,018	-6,665	-5,823	-3,471
Germany DMbn	Exports	242	2920	2838	2470
	Imports	243	2910	2820	2327
	Balance	-1	+10	+118	+143
Japan Yen	Exports	10,200	11,241	10,887	9,838
	Imports	9,870	11,128	10,827	9,868
	Balance	+330	+1113	+1060	-1030
UK Lbn	Exports	3,958	4,032	3,970	3,608
	Imports	3,895	3,771	3,957	3,708
	Balance	+63	+261	+1013	-100
Holland Flbn	Exports	11,065	11,888	12,147	9,984
	Imports	12,115	13,536	12,510	10,459
	Balance	-1,050	-1,648	-1,363	-1,475
U.S. \$bn	Exports	14,575	16,642	16,423	14,625
	Imports	18,975	19,893	20,528	16,722
	Balance	-4,400	-3,251	-4,105	-2,097

OVERSEAS NEWS

Jonathan Carr, in Bonn, examines the effects of the Munich bombing

Outrage—but no threat to the State

THE BOMB explosion which killed 12 people and injured more than 200 seems bound to inflame debate about internal security in the last week of the German General Election campaign.

But it seems unlikely to have a marked effect on the election result itself. That this is so, owes much to the change in the public mood here since the height of the terrorist attacks in 1977, when leading public figures were murdered and the State for a while seemed almost helpless.

According to the Bavarian and Federal authorities, the Munich explosion was almost certainly the work of Right-wing extremists. At first sight, this evidence might seem to improve further the election prospects of Chancellor Helmut Schmidt and his Social Democrat (SPD) coalition.

Every major opinion poll in the country has so far put the Schmidt coalition ahead of the Christian Democrat (CDU), Christian Social Union (CSU) alliance under Herr Franz Josef Strauss, in the election battle.

It could be argued that voters so far wavering between the two sides might now be shocked into turning their back on the political Right altogether—even the moderate conservatism of the CDU-CSU coalition, which has been as quick as anyone to condemn the Munich outrage.

This argument gains the more force since the question remains why Right-wing extremists should commit this act just before an election and in Munich of all cities—the capital of the state of Bavaria of which Herr Strauss is Prime Minister. Could it have been a failed attempt by the extreme Right to bring suspicion to bear on the Left—thereby undermining support for the Government?



Citizens of Munich lay wreaths at the spot where one of the 14 people killed in the Oktoberfest bombing died.

Many Germans are asking themselves these questions—and some may react on polling day by doing exactly what they believe the perpetrators of the Munich explosion hoped they would not do—namely, vote for Herr Schmidt's side.

Against that, Herr Strauss has been quick to accuse the Federal Government in Bonn—and the Interior Minister, Herr Gerhart Baum, in particular—of creating over the years a climate in which it has been hard for the security forces to do their job properly.

Already, Herr Baum, an FDP Minister, has been strongly under fire from the opposition (and even from some in his own party) for holding a discussion on television with a former terrorist.

There have also been recent reports of errors which, it is said, allowed suspected ter-

rorists to escape a police sweep. It is worth recalling that the Munich incident is only one of several bomb explosions attributed to Right-wing extremists in Germany this year—though by far the most costly in human life.

Opposition accusations that the Government is being "too soft" on extremists have thus been one feature of the election campaign—though not the dominant one so far.

It is now possible that in the wake of the Munich affair, Herr Strauss may find a more ready ear for his stand on "law and order." He could gain support from those who see planters of bombs neither as part of the "extreme Right" nor of the "extreme Left," but simply as murderers—and who feel the state is not doing enough to track them down.

All that said, it must be

stressed that the mood in the country is anything but feverish—even after the Munich explosion and near the end of an election campaign which, it was widely prophesied, might dangerously polarise public opinion.

In the autumn of 1977, the country had seen the murders of three leading public figures within the space of a few months. One of them, the industrialist, Dr. Hans Martin Schleyer, had been killed only after weeks of captivity while police sought vainly for him.

The terrorists seemed well organised and the authorities appeared not to have enough weapons to oppose them. Parliament, in tense and controversial sessions, passed new measures to combat the dangerous turn of events.

Had a general election come that autumn, then surely the political alliance campaigning most vigorously to defend "the basic democratic order" would have emerged on top.

Since that autumn, there has been no successful terrorist attack on a leading German public figure—and some of those wanted in connection with the earlier murders have been brought to trial. The feeling has grown that the authorities have gradually been gaining the upper hand—even if the danger has not wholly vanished.

The Munich toll is bad enough. But it does not have about it the element of calculated ruthlessness which horrified the nation over the Schleyer case. Police reports suggest that the young man suspected of committing the act died in the general carnage because his bomb exploded prematurely.

That is a miscalculation which the Schleyer captors would have been unlikely to permit themselves. The affair will surely be seen by virtually all Germans as an outrage—but it is likely to be judged by relatively few as a threat to the State.

Polish free trade union threatens first strike

WARSAW—The Gdansk free trade union yesterday threatened to stage a one-hour warning strike in northern Poland next Friday, in protest against what it described as Government "failure" to fulfil agreements on pay rises.

A spokesman for the Gdansk movement, which spearheaded the strike campaign last month to win the right to establish the first independent unions in the Soviet bloc, said workers from other parts of the country were being invited to join.

Mr. Andrzej Kolodziej said delegates from the Gdansk-based Solidarity Free Trade Union movement, which controls about one-quarter of the Polish labour force, were being summoned to a meeting today to discuss joint action.

Mr. Kolodziej said the Government had not even half-fulfilled the pay pledges it made with the Gdansk strikers. The strike call followed a threat by Mr. Lech Walesa, leader of the Free Trade Union movement, that he would bring the whole of Poland out on strike if the Government failed to meet its pledges.

It added a new sense of urgency to a meeting of Poland's Communist Party leaders who are expected to gather in Warsaw early this week to resolve their conflicts and work out a clear strategy to deal with a volatile political situation and a deepening economic crisis.

The meeting of the central committee, originally set for last Friday, was postponed amid signs that the party, which has been in a state of turmoil for several weeks, was divided over personnel changes and future policy, particularly concerning the new free trade unions. Renter

Chinese outline charges against 'Gang of Ten'

BY TONY WALKER IN PEKING

THE TRIAL of China's Gang of Four has suddenly become the trial of the Gang of Ten, with the inclusion in the case of supporters of Mr. Lin Biao, the late Defence Minister. The charges include one of plotting to murder the late Chairman Mao Tse-tung.

Other charges outlined at the weekend by Mr. Huang Huoqing, who is effectively the senior state prosecutor, are: Sedition and conspiracy, persecution of party leaders, and what is described as the "practice of Fascist dictatorship."

Mr. Huang briefed the standing committee of the National People's Congress (China's Parliament) on the charges. A report of the briefing carried by the New China News Agency is the most public indication yet that the trial is about to begin.

The Chinese leadership has recently stopped describing Madame Qing, Chairman Mao's widow, and her supporters as the "Gang of Four," perhaps in preparation for the blanket charges against the Group of Ten. They are being held responsible for the worst excesses of the Cultural Revolution in the late 1960s and early 1970s, which plunged China into chaos and near civil war.

The Lin Biao supporters to be tried with the Gang of Four include Mr. Chen Boda, Chairman Mao's longest-serving private secretary, and senior military officers from the late 1960s.

The Gang of Four includes Madame Jiang, Mr. Zhang Chunqiao, propaganda chief during the Cultural Revolution, Mr. Yao Wenyuan, a Marxist ideologue and polemicist, and Mr. Wang Hongwen, a leading Shanghai radical who enjoyed Chairman Mao's patronage and was named a Communist Party vice-chairman in 1973.

Chairman Mao and Mr. Lin Biao launched the Cultural Revolution partly to get rid of their opponents in the party some of whom have returned recently to the leadership.

Madame Jiang and her supporters were arrested in October 1976, soon after Chairman Mao's death. Mr. Lin Biao, once designated as Chairman Mao's heir, died in 1971 in an aircraft crash in Mongolia while fleeing to the Soviet Union after attempting a coup.

"The criminal activities of the two cliques were interrelated and inseparable from each other," Mr. Huang told the Congress standing committee. "After Lin Biao died... the Jiang Qing clique recruited his followers and carried on counter-revolutionary activities."

The ten are liable to the death penalty on the charges. Chairman Hua Guofeng, however, said earlier this year the gang were unlikely to be executed.

Mr. Mugabe's ZANLA guerrilla forces have moved into flats not far from the hotel.

Last week a white farmer was shot dead by guerrillas and a white woman and her sister drove off six guerrillas who attacked their mother's farm in the Gomonzi area.

Farmers in the eastern Manicaland area have reported squatting by thousands of blacks who have moved onto white-owned farms, claiming they have been given permission by the ZANU-PF party leadership.

Also ominous was an incident on Friday at the Midlands village of Umvuma, where a crowd of ZANU-PF supporters

forced the police to release two blacks who had been sentenced by a magistrate to six months' imprisonment for assault in a case involving illegal trial by a kangaroo court. In north-east Zimbabwe, at Bindura, there was a similar incident when a remand prisoner was freed from police custody by party supporters.

Mr. Ian Smith, the former white Prime Minister, said at the weekend that the Government must use the army against the bandits if the police were unable to cope. Mr. Smith was speaking at the close of his party's annual congress, at which delegates expressed alarm at the deteriorating security position in the country.

Violence spreads in Zimbabwe

BY OUR SALISBURY CORRESPONDENT

MR. ROBERT MUGABE, Prime Minister of Zimbabwe, faces calls by his aides and by business leaders to take immediate action to restore law and order after a number of violent incidents.

Urban violence returned to Zimbabwe at the weekend when a group of gunmen tossed a hand grenade into a bar in the Salisbury suburb of Mabelreign and then opened up with automatic weapons, killing two blacks and wounding 25, 11 of them seriously.

The bomb incident on Saturday night was the first in a predominantly white suburb since the February elections. Police declined to say who was responsible but members of

Mr. Mugabe's ZANLA guerrilla forces have moved into flats not far from the hotel.

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Italy crisis may mean early poll

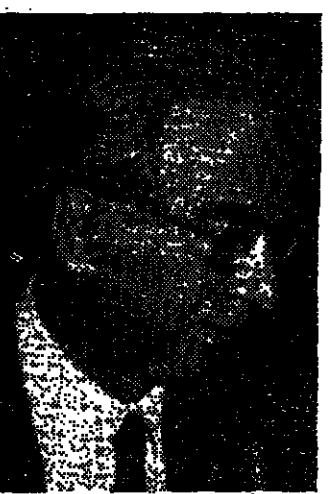
BY RUPERT CORNWELL IN ROME

ITALY'S latest Government crisis—the country's 40th since the end of World War II—promises to be one of the most difficult to resolve in recent times, and could lead once again to early General Elections, more than three years before they are due in summer 1984.

Saturday's demise of the six-month-old Administration of Sig. Francesco Cossiga, the Prime Minister, is generally reckoned to have happened in the worst possible circumstances—a cynical Parliamentary ambush only minutes after a roll-call had given him a clear-cut vote of confidence.

After a majority of 329-264 had endorsed the three-party coalition of Christian Democrats, Republicans and Socialists, about 30 MPs, believed to be dissident Christian Democrats and Socialists, changed sides to send the Government to defeat in a secret vote on its all-important economic stabilisation package.

On this occasion, the coalition lost by a margin of one, by 297-298 against. Immediately afterwards, Sig. Cossiga called a Cabinet meeting, then informed Sig. Amintore Fanfani,



Sig. Francesco Cossiga

President of the Senate, of his decision to resign.

Sig. Sandro Pertini, the Italian President, who was due back in Rome last night from Hong Kong after cutting out a planned official visit to Jordan, is expected to start consultations as soon as possible, probably today.

But his task will be very hard. The soundings will take place in an atmosphere of

suspicion and rancour rare even in Italian politics. Indeed, it is still possible that Sig. Pertini will send the Premier back before the Chamber for another vote of confidence.

The MPs who brought Sig. Cossiga down are almost certainly Christian Democrats and Socialists keen to mend fences with the opposition Communist Party, and who want to check the ever more plain ambitions of Sig. Bettino Craxi, the staunchly anti-Communist Socialist secretary.

Sig. Craxi, who had brought his fractious party back into Government for the first time in six years, last night described the latest events as "odious." Yet if the Communists persist in their policy of voting against any Government of which they do not form part, abstention or support from the Socialists is essential if any Government is to survive.

The major victors are the Communists, whose headline opposition to Sig. Cossiga has proved that no Government, even if it has a built-in majority on paper, can function without an understanding with them.

IMF ANNUAL MEETING

Industrial nations resist change

BY PETER RIDDELL IN WASHINGTON

THE MAJOR industrialised countries agreed in Washington over the weekend that the basic character of the International Monetary Fund should be retained. This is in face of demands for radical changes from developing countries.

The view emerged after the meeting late on Saturday of the Finance ministers and Central Bank governors of the leading industrialised countries assembling as The Group of Ten.

The final communiqué said there was general recognition of the need for "a large volume of lending by the Fund, and for longer adjustment periods."

But it added that the members "stressed that the basic character of Fund lending should be preserved."

This caution and a desire to preserve the structure was also reflected in the discussions about the means of financing

the expansion in the Fund's activities.

After the meeting, Herr Manfred Lahnstein, State Secretary of the German Ministry of Finance, said that while there was a balance of views, most participants preferred borrowing in traditional ways by Fund quotas and from countries running surpluses.

Only in extreme need, he said, should the Fund seek money from international capital markets. He did not believe such a need existed now, and he hoped that present political questions (an implied reference to row over whether the Palestine Liberation Organisation should be allowed to attend meetings) would be resolved before the Fund's resources ran out.

There were apparently hopeful reports to the meeting about ratification by member-countries

of the seventh quota review producing an extra Special Drawing Rights 10bn (\$6.6bn) or so in usable currency. In particular, the U.S. Congress is nearing final approval of the quota review.

There was some discussion at the Group of Ten about the possibility of a further allocation to increase members' reserves. This will be further considered, but nothing will happen until after next year.

The communiqué noted "with concern that the outlook for the world economy has not improved since the last meeting in April."

The members regarded the "recent slowdown in major industries countries' rates of inflation as an encouraging development," but considered that at present, "there is little scope for a relaxation of monetary, budgetary, or other policies."

There was movement to boost the supply of special drawing rights, the reserve asset which the IMF creates in measured doses. At least, there was now a willingness to discuss whether such SDRs might be allocated preferentially to needy countries where such discussion had been taboo before.

In particular, the Group is critical of the IMF's plan to wind up the Trust Fund (cheap loans to hard-pressed countries financed out of profits on IMF gold sales) and to use the cash so released to subsidise interest on IMF loans.

The group argues that this switch of resources does not produce a net benefit. It wants both Trust Fund loans and interest rate subsidies.

More aid for Third World urged

BY NICHOLAS COLCHESTER IN WASHINGTON

"THE IMF is moving, but the rate at which it is doing so is too slow," Professor Essang, the Nigerian Finance Minister, said yesterday as spokesman for the lobby of developing countries at the annual meeting of the IMF and World Bank.

In a lengthy communiqué, the Ministers of the "Group of 24," which represents more than 100 developing countries in their relations with the IMF, repeated their demands that the Fund play a greater role than at present in helping poor countries finance balance-of-payment deficits arising from the last rise in the oil price and from recession in Western economies.

The Group of 24 estimated

that the total deficit for non-oil developing countries would be \$76bn this year and \$80bn next. "The Fund must realise that the balance-of-payment problems of developing countries are not necessarily due to incorrect demand management," Professor Essang insisted.

He called the present financial plight of the Third World "desperate," and argued that IMF economic disciplines were not the correct answer to such a structural problem.

Yet Professor Essang conceded that there was evidence of change in the IMF. The Fund was, he said, moving to liberalise the economic conditions on which it extends loans.

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UK NEWS

Howe tries to persuade unions to talk on pay

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT has launched a second attempt to persuade union leaders to discuss the country's pay rise problems during a meeting of the National Economic Development Council.

Two months ago Sir Geoffrey Howe, Chancellor of the Exchequer, was snubbed by TUC leaders who effectively stopped a paper dealing with pay problems being discussed in the council.

Now, the council's co-ordinating committee of civil servants and office staff from the main economic government departments, the CBI and the TUC, have agreed that the Chancellor can resubmit the paper.

This will happen at next week's meeting of the council on the eve of the Conservative Party conference, although Sir Geoffrey has only succeeded in winning the second slot on the meeting's agenda. A lengthy

discussion on the implications of North Sea oil will take place first.

The paper will be redrafted and will be submitted along with a covering note from Sir Geoffrey which will likely try to smooth over some of the differences between the parties, while emphasising the need for pay restraint this winter.

Although many delegates at the Conservative conference will have little enthusiasm for the Government developing a dialogue on pay restraint with the unions, Sir Geoffrey is thought not to want to undermine the 18-year-old co-operative traditions of the council with a second row.

On the other hand, he cannot be seen to accept a trade union veto on what is discussed. For his part, the TUC acknowledges that all parties to the council have the right to table their own papers following

prior discussion in the co-ordinating committee.

The mood of the meeting will therefore depend first on how Sir Geoffrey's covering note is phrased and secondly on how he introduces the subject. The TUC, led by Mr. Len Murray, general secretary, may well try to keep the discussion on pay short and to direct the debate towards wider economic problems, especially unemployment.

The outcome of the discussion is not expected to have any significant impact on Government policies since Ministers are opposed to any formal deal with the unions. But the Government is using the council as a forum for general economic discussions. Therefore, it would clearly be useful for the Chancellor to discuss the pay rises with the TUC at a time when fresh attempts are being made to curb this winter's increases in the public sector.

High speed Channel travel foiled by cost

William Hall examines the implications of P & O's decision to abandon its London-Ostend hydrofoil service.

P AND O's decision to abandon its London-Ostend hydrofoil service comes less than a month after the suspension of the Brighton-Dieppe hydrofoil service of Seajet and must put a question mark over the whole future of high-speed travel on the Channel.

The decision was announced earlier this week. Seajet was a small company which ran into financial difficulties as a result of the French fishermen's blockade. But P and O Ferries is part of a large and financially sound organisation.

It had run an experimental hydrofoil service for 15 months before deciding to go ahead and buy two £6.5m Boeing Jetfoils for its London-Ostend operation.

P and O started talking to Boeing as long ago as 1970 about the possibilities of operating a jetfoil service (Boeing's name for their hydrofoils) so no one can say P and O had not done its homework. Consequently, the decision to abandon the service after only seven months' operation was

not taken lightly.

Mr. Keith Wickenden, chairman of European Ferries, the successful cross-Channel ferry company, has always insisted that hydrofoils were 30 years out of date. It seems he is being proved right.

The 250-seater hydrofoils travel at 40 knots (twice as fast as the ferries) and carry people in the luxury of airline-type seats. With rising living standards it was argued that travellers would be prepared to pay more for speed and luxury. This does not appear to be the case in practice, and the hydrofoils have the big disadvantage of being unable to carry cars.

Boeing is one of the leading manufacturers of hydrofoils and its craft have proved a success on the short routes in places like Hong Kong and Japan.

Apart from P&O and Seajet—which together operated three Jetfoils—B & I, the Irish ferry company, operates a service between Liverpool and Dublin, and Regie voor Maritieme Transport (RMT) has ordered two Jetfoils for a Dover-Ostend service starting next year.

B & I appears well pleased with its operation and is continuing to run it through the winter months. It feels it is tapping a lucrative market but some passengers are being siphoned away from its conventional ferry services.

RMT also seems prepared to press ahead with its purchase of two Boeing Jetfoils for next summer's season. But there are some people within the Sealink consortium (of which RMT's hydrofoils, like B & T, will siphon travellers away from

the conventional ferries, and neither Dover nor Ostend are the sort of concentrations which will provide the density of passenger traffic a hydrofoil needs.

There appear to have been a number of factors behind P & O's decision to drop the service. When it was conceived, the pound was much lower, and Continental travellers were swarming to London to shop. This has changed, and the Continental-based market—the key to P & O's operation—is far less buoyant.

P & O will not confirm it, but traffic levels were well below target and the addition of the second hydrofoil in the summer made the problem worse in spite of a desperate 30 per cent cut in prices. The other key factor was the sharp rise in fuel prices—a hydrofoil burns 420 gallons of fuel an hour.

Finally, the fact that P & O's hydrofoils had to carry two Trinity House pilots (one for the river and one for the sea), at a round-trip cost of £220, jeopardised the operation from the start. Pilots alone cost P & O

£750,000 a year. They could easily have operated without them.

It remains to be seen whether B and I and RMT make a success of their hydrofoil services. Both are about three times the distance of the successful Far Eastern services and they operate in open seas. Reliability in rough weather still has to be tested.

But hydrofoils are not the only high speed craft to be under financial pressure. The two cross-Channel hovercraft operators, Seasepic and Hoverlloyd, have captured a substantial amount of business from the conventional ferry operators. But they are losing money. Hovercraft skim across the Channel at three times the speed of conventional ferries, but neither Hoverlloyd nor Seasepic has a "patent" that passengers are prepared to pay a worthwhile premium for speed. As with the hydrofoils, the combination of soaring fuel prices and the severe price war between the conventional ferry operators could sound their death knell.

Allied and John Brown enter power fuel market

A BIO-TECHNOLOGY venture in the newly emerging market for power alcohol has been launched by Allied Breweries and John Brown and Company.

Car alcohol is ethyl alcohol—ethanol—made from crops for use as a liquid transport fuel.

Alcon Biotechnology is a joint venture equally owned by UK subsidiaries of the parent groups, Allied Breweries (UK) and Constructors John Brown (CJB).

Its chairman is Mr. John Dunwell, a director of Allied.

The new venture is marketing a continuous brewing technology originally developed by Allied but abandoned because the favour of the beer was unsatisfactory.

For the past two years Allied and CJB have been collaborating to adapt the continuous brewing technique into a highly productive method for making a strong beer for distillation.

Distillation turns the beer into pure, dry alcohol suitable for addition to petrol to make gasohol, or as a fuel in its own right, for modified engines.

There is growing interest in brewing power alcohol in countries short of oil but capable of growing crops rich in sugar or starch, such as sugarcane and maize.

Brazil has attracted special interest because of its national programme to cut oil imports by using power alcohol fermented from sugar.

Mr. Neville Chapman, business development manager of Alcon Biotechnology, said the company's aim was to bring fermentation into the 20th century.

The U.S. would be the initial target for the new technology. Tax concessions in many U.S. states are making it increasingly attractive to brew alcohol from cereals in order to add up to 20 per cent of alcohol to petrol.

Alcon is marketing in the U.S. through the chemical plant contractor Crawford and Russell of Stamford, Connecticut, a CJB acquisition last year.

It is offering potential customers the opportunity to try out its continuous brewing technique, using a demonstration fermenter it has developed and packaged for easy transportation around the world.

According to Mr. Chapman, the Alcon process can halve the capital cost of the fermentation stage in the production of power alcohol.

It does this by using yeasts chosen for their high yield of alcohol, with minimum growth of the yeast itself.

What yeast is produced settles out cleanly at the bottom of the fermenter, avoiding any need for centrifuges to filter the brew before distillation.

The process has already been demonstrated by Allied on a pilot plant scale.

In addition to the fermentation stage, production of power will require plant to prepare the crop for fermentation, and distillation columns to separate and dry the alcohol.

Mr. Chapman estimates that the two companies have spent "a six-figure sum" on the demonstration fermenter.

The technology of this process is now proven, he says, having operated for a year at Allied before the group abandoned it as a beer-making process and for three months without interruption in the pilot plant.

FT Grocery Price Index falls 0.8%

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP fall in the cost of fresh fruit and vegetables in September has led to the Financial Times Grocery Price Index falling by 0.8 per cent this month.

The index for September, published today is 127.41, compared with 128.41 in August.

The fall in the index had been expected, given the usually cheaper fruit and vegetables at this time of the year, aided this month by the relatively mild weather. The total cost of the fruit and vegetable section was £221.19, compared with £250.32 in August.

All root vegetables were much cheaper this month, while apples in particular fell sharply in price—by as much as 30p per pound—as the English crop became widely available.

The other sections of the shopping basket, however, remained fairly stable in cost, although dairy produce was marginally higher.

The stability in grocery prices is likely to continue throughout the autumn—apart

from seasonal variations in the fresh produce sections—since the major supermarket chains have embarked on their autumn price promotions.

The J. Sainsbury chain is leading the way with a £500,000 campaign aimed at promoting its own-brand groceries, while Tesco and others have hit back with extensive Press and television advertising.

Many of the major supermarket chains are also heavily promoting "Buy British" campaigns for fresh foods. The index shows the trend in food prices rather than acting as an absolute indicator of price levels. It is based on data collected each month by 25 shoppers who monitor the same list of 100 items in the same shops each month.

The shops chosen range from supermarkets to small village grocers throughout the country. The index is copyrighted and may not be reproduced in any way without permission. All inquiries should be made to Lucinda Wetherall at the Financial Times.

FINANCIAL TIMES SHOPPING BASKET SEPTEMBER 1980			
	Sept.	Aug.	
Dairy produce	635.44	630.58	
Sugar, tea, coffee, soft drinks	208.91	204.89	
Bread, flour and cereals	300.19	300.01	
Preserves and dry groceries	107.75	107.03	
Sauces and pickles	50.29	49.64	
Canned goods	189.65	190.79	
Frozen foods	228.12	228.51	
Meat, bacon, etc. (fresh)	531.91	532.51	
Fruit and vegetables	221.19	250.32	
Non-foods	235.44	235.93	
Total	2,708.89	2,730.21	

1979: January 108.54; February 108.65; March 109.12; April 110.58; May 112.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.94; August 128.41; September 127.41.

Council orders ban on new housing schemes

NEWCASTLE-upon-Tyne City Council, one of the local authorities threatened with a £1m "fine" because of alleged over-spending, has ordered an immediate ban on all new housing schemes because of insufficient money.

The action, announced at the week-end, will affect many modernisation and house-building programmes due to start in the next three months.

Councillor Tom Collins, housing committee chairman, said the council had been left with little choice after receiving just under £18m from the Government for housing investment.

The authority had asked for £29m and argued that that was the absolute minimum to complete its planned programme in the current financial year.

Mr. Collins said: "The problems caused by the cutback will need expensive solutions in the long-term because many properties will have deteriorated to an unreasonable extent."

Meanwhile, the Labour-controlled council is to seek a meeting with Mr. Michael Heseltine, the Environment Secretary, over his threatened sanction against the authority for alleged over-spending.

The council is one of 14 due to have part of the Government grant withheld because of failure to meet the Minister's spending targets.

Peugeot Talbot keep outlets

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

TALBOT and Peugeot dealers in the UK were given an assurance at the weekend that the companies want to retain all their present outlets when the two businesses are combined under the terms of the plan announced by the parent group, Peugeot SA, last week.

There are about 450 Talbot and 250 Peugeot dealers in Britain. The aim of the restructuring will be to get the best out of the combined networks.

Talks begin in Paris tomorrow between the two UK organisations about how they should be restructured. A new Talbot car is also due to be launched tomorrow.

CBI resists EEC's disclosure proposals

By Lisa Wood

A MOVE by the EEC Commission to increase the volume of information and channels of consultation which both multinational and national companies would have to provide their employees has provoked strong opposition from the Confederation of British Industry.

Mr. Martin Morton, of the CBI's Social Affairs Directorate, said that both British and other EEC employer organisations had objected to the imposition of the proposed legislation which he called "formal and rigid."

The Commission's objective is to translate into legal form many of the voluntary provisions contained in the OECD's disclosure guidelines for multinational companies issued in 1976.

It is also partly based on work in this area by the United Nations Centre for Transnational Corporations and the International Labour Organisation.

Originally, the Commission intended that the stricter rules, which would include divulging to employees production and investment plans, should apply to multinational companies only, on the grounds that national companies were already adequately covered by individual company legislation whereas transnational companies were in a position to evade them.

However, after accusations of discrimination by business circles, the Commission has extended the draft legislation to national companies.

"Those which it calls of a 'complex structure' with at least one subsidiary and a total of more than 100 employees operating in one or more EEC countries, will be included in the legislation."

Mr. Morton said the EEC Commission had still not satisfied enquiries as to why the legislation was needed, given the existing voluntary codes operated by companies. He also believed that such detailed proposals could run counter to existing methods of consultation.

He estimated that the proposed legislation, which is to be debated by the Commission on Wednesday, could affect more than 2,000 multinationals and a very significant number of other companies. "We have not been consulted, neither have Governments nor the unions over these draft proposals," he said.

The visionaries from the City and their acolytes from the more cloistered world of academia will be crossing swords with the Government's monetary high priests on the vexed subject of how to control the money supply and lead the country to economic salvation.

The seminar is the climax to six months of debate on whether the money supply would be better regulated by moving to a new system of monetary base control.

Ideas for change were set out by the Bank and Treasury in a joint consultative paper in March. Under the monetary base system, the Bank of England would move away from a policy of controlling interest



Billingsgate, London's famous fish market, was opened to the public for the day yesterday—the second time in its 100-year history, writes Elaine Williams. Sir Peter Gadsden, Lord Mayor of London, was among the visitors—expected to number more than 8,000 this year. Sir Peter opened the "fish extravaganza" which included the national craftsmanship competition for fishmonger in which £1,000 worth of prizes were offered to the most skilled at filleting fish. It will be the last time the event is held at Billingsgate for the market is to be moved

Report criticises BR services

WIDE-RANGING criticisms of British Rail's commuter services in the South-East are included in a report to be published this week by the Monopolies and Mergers Commission.

The report took some five months to prepare. It is the first to be published under the Government's new Competition Act, which became law in April.

Similar investigations are being carried out by the commission into electricity and water supplies, as part of the Government's plans for tighter control of the nationalised industries.

The commission's investigation of British Rail's South-East commuter services—which carry about 38 per cent of all London's 1m daily commuters—is understood to echo many of the findings of previous Government statistics.

The commission is believed to have concluded that the quality of commuter services has deteriorated as a result of inefficiencies and over-manning. The report includes detailed

proposals on efficiency and manpower productivity which it believes would improve the existing service to commuters.

But the commission also shows some sympathy to British Rail for the difficulties inherent in the necessity to run a basically uneconomical commuter service in order to satisfy the peaks in demand.

Mr. John Nott, Trade Secretary, is likely to ask the Director General of Fair Trading to open talks with British Rail about the commission's findings.

Railway service disrupted by woodworm infestation

FINANCIAL TIMES REPORTER

BRITISH RAIL plans to withdraw rail services using the Barmouth viaduct in North Wales from October 12 because the wooden structure is threatened by woodworm.

The closure of the viaduct to rail traffic is likely to last until the spring. The closure follows the discovery earlier this year of woodworm in the 75-year-old timbers of the viaduct.

Meanwhile, British Rail plans to maintain rail links along the North Wales coast by means of a bus service between stations. The decision to close the viaduct was taken because of the failure of extensive sampling procedures over the summer to establish how far the viaduct has been infested.

British Rail plans one further attempt using a "patent sonic system" to establish the woodworm's hold on the timbers.

But its engineers believe that parts of the timber piles will have to be removed to facilitate accurate sampling.

The first hybrid "railbus" to be ordered by British Rail is to be delivered to the U.S. Federal Railroad Administration next month, eight months after the end of test trials in Boston.

It combines features of the single-deck Leyland National buses for the body with rail technology for the steel wheels.

The 45 ft body was designed and built by Leyland at Workington, using standard mass-produced components made for the bus industry. Leyland also supplied the six-cylinder diesel main power unit which gives the vehicle a top speed of 100 mph.

British Rail Research developed the original "light experimental vehicle" at Derby.

More companies will sponsor classical music

CORPORATE sponsorship of classical concerts has been boosted by three more companies announcing plans in addition to the £500,000 sponsorship deal announced last month by BAT Industries.

The three new companies in the field are the Laskys bid retail chain, American Express, and the Bristol-based wine merchants John Harvey and Sons.

Laskys are sponsoring, at a cost of £3,000, two concerts by the Royal Philharmonic Orchestra at the Royal Festival Hall next month.

The American Express sponsorship is for a send-off concert for the London Symphony Orchestra.

John Harvey and Sons is sponsoring a total of 22 concerts until April next year of theournemouth Symphony and Sinfonietta orchestras.

Footwear sales stride ahead

By James McDonald

THE AVERAGE Briton owns seven pairs of shoes, boots or slippers and buys at least three new pairs a year, according to a nationwide Gallup Poll survey published today by the British Footwear Manufacturers Federation.

Women are responsible for raising the national average to seven pairs—they average eight pairs, while the average man owns six pairs.

Publication of the survey coincides with the opening of the British International Footwear Fair at Olympia, London, where manufacturers, retailers and overseas buyers will be deciding what footwear will be in the shops next year.

The survey, based on 1,000 people aged 16 and over, shows half the population owns between three and six pairs of footwear each, while 10 per cent owns 13 or more pairs. Ten per cent of Londoners own 15 or more pairs—one of the highest ownership totals in Britain.

The need for comfort emerged as the main factor influencing the purchase of footwear, 60 per cent voting it as most important. Price came second (21 per cent) and style and fashion third (17 per cent).

Young people—16 to 24 years old—rated comfort as important as appearance. They came well down the scale on their list of priorities.

The young are less likely than their elders to know which country their shoes come from, but they have their shoes repaired more than any other age group.

Disposable—or everlasting—shoes see into have come into their own. The survey shows that over half the population claims never to have their shoes repaired—cannot recall when they last visited a cobbler.

ONLY 200 British homes in every 100 are now without television, while 28 per cent of homes have two sets and 5 per cent have three or more receivers.

These are among the findings of a survey last spring by NOP Market Research, which sampled more than 8,000 households and individuals in England, Scotland and Wales.

The market for purchase or rental has been buoyant for the past four years, the survey says. During this period, 52 per cent of receivers were hired.

Treasury faces money control challenge

FOR A dedicated group of stockbrokers, academics, and banking economists, today is the monetary equivalent of Hiroshima.

The ecclesiastical surroundings of Church House, Westminster, will be the venue for a behind-closed-doors conference between 40 financial experts from the private sector and a team of ten monetary brains from the Bank of England and Treasury.

The visionaries from the City and their acolytes from the more cloistered world of academia will be crossing swords with the Government's monetary high priests on the vexed subject of how to control the money supply and lead the country to economic salvation.

The seminar is the climax to six months of debate on whether the money supply would be better regulated by moving to a new system of monetary base control.

Ideas for change were set out by the Bank and Treasury in a joint consultative paper in March. Under the monetary base system, the Bank of England would move away from a policy of controlling interest

rates towards regulating the monetary base—the volume of notes and coins in circulation plus the level of banks' reserves held at the Bank of England.

The Bank and Treasury are holding the conference to cull together views from outside financial experts on whether a new system would be either practicable or desirable. Because

Ministers in moving to a new system. Mrs. Margaret Thatcher herself appears to have become more enthusiastic about the monetary base method following a summer holiday meeting in Switzerland with Professor Karl Brunner, the Swiss American monetarist who favours base control. Signifi-

cantly, Professor Brunner is being invited—along with some other foreign academics, and central bank officials from the West German Bundesbank, the Swiss National Bank, and possibly the U.S. Federal Reserve—to a discussion meeting at the Bank of England tomorrow.

There is still, however, a considerable amount of scepticism about the base method. One monetary official commented last week: "The past few months' events have strengthened the hand of those who said

that present money supply control methods were not viable. But these events tell us nothing about whether an alternative system would be better."

Other commentators have pointed out that Mrs. Thatcher's apparent support for the monetary base for the freely moving interest rates does not square with her well-known dis-

like for higher mortgage rates. The Bank of England has had to intervene this year on the money market to keep interest rates from rising. But had the authorities been following a strict monetary base method earlier this year, there would have been no barrier to interest rates moving still higher than they already have.

There is no set timetable for a decision. But the authorities will have to make up their minds on the monetary base system fairly soon. A decision could be made in the second

half of next month, and could be made public at around the same time as the Treasury announces its economic forecasts and the new monetary target for the next 12 months.

These announcements are expected in late October or early November.

The most likely bet in the City is that the monetary base proposals will be quietly dropped, although there may be some interest in monitoring the base to use it purely as an indicator of when interest rates might be moved.

Now that most of the post-concert distortions have been reflected in the money supply, and the monetary aggregates will anyway be dampened over the next few months by the recession, the present might not be a good time for far-reaching changes.

One participant from the City who will be attending today's meeting put it this way: "It looks like we'll be attending the funeral rites for the monetary base—change—and the Bank of England will be obsequious mourners."

Over £275,000 needed to aid elderly and disabled seafarers

King George's Fund for Sailors

1 Chesam Street, London SW1X 8NE
THE FUND FOR CHARITIES THAT SUPPORT SEAFARERS IN NEED & THEIR FAMILIES

Last year KGFS distributed some £275,000 to aid elderly and disabled seafarers. To allow for inflation, we need to provide much more this year. We cannot allow our aged and disabled seafarers from the Royal Navy, the Royal Marines, the Merchant Navy, the Fishing Industry to suffer from our lack of funds. Please send a donation or covenant to aid us in vital work. And, when preparing your Will, please do not forget us.

مكتبة النجف



• Peterborough

Britain needs the Peterborough Effect

In one British city, companies still have the confidence to invest in tomorrow's technology today. They know that in the right place this is the right time to prepare for a profitable future.

The place is Peterborough. The city with a better export record than Japan. Where businesses have grown fifteen times faster than the British average.

Over 150 companies have moved to Peterborough in the last ten years. Almost all have seen profits and productivity go up, wastage, absenteeism and staff turnover go down.

The recession has hurt several Peterborough firms but some are already making remarkable recoveries.

Peter Brotherhood, a world-known precision engineering company with 1000 employees, was in deep trouble last October. But now it has made a dramatic turnaround. Orders are up 20 per cent, efficiency has improved by more than 20 per cent, re-equipping is under way, new craft apprentices have been recruited, and share prices are almost twice last year's low.

Many other companies are investing in new plant and new premises to make them stronger when the markets are buoyant again.

Baker Perkins, the group which makes capital equipment for the food, packaging, printing and chemical industries, has developed a new method for making bread dough. New technology helps bakers make good old-fashioned bread more quickly and more cheaply than present chemical-aided processes. The machine was designed in Peterborough and is a result of Baker Perkins' policy of continuous investment in new product development.

Sodastream started making a simple soft drink machine in Peterborough in 1973 with a work force of 15. Demand rapidly outstripped production and because Sodastream were unable to buy sufficient high pressure gas cylinders, they developed the equipment and technology to make their own in large quantities. Sodastream have become the world's largest producer of these, and their technique has been incorporated into a new British standard for pressure vessels. In the near future Sodastream are moving into a specially designed 140,000 sq ft factory with over 400 workers. Total investment is over £3½m.

When Thomas Cook, the world's largest travel organisation, moved their headquarters to a parkland setting in Peterborough four years ago, they installed the latest electronic business equipment. The aim is to remove the paperwork from a paper-intensive business. In due course all 160 Thomas Cook branches in Britain will be connected to central airline reservation computers to give travellers instant confirmation of flight availability. And data terminals will replace the 20,000 pages of information each clerk requires now. Over £3 million has been invested in new technology since 1976 and a further £3 million is planned.

When Peugeot decided to build a huge National Parts Distribution Centre for Britain they examined sites all over the country. Now they are buying 13 acres beside the A1 at Peterborough. Peugeot will have one of the motor industry's most efficient parts warehousing and distribution systems when the Peterborough Centre opens in 1982. The first phase of 150,000 sq ft will cost £8 million and create over 100 jobs.

These are just a few examples of recent decisions to invest in Peterborough. There are many more. Each demonstrates confidence in the future, in Britain, and in the Peterborough Effect.

What causes The Effect?

Peterborough, ancient cathedral city and new town, has a workforce of 65,000 with skills founded in engineering traditions but extending into latest technologies and services.

Companies who move here draw on and contribute to this workforce. A modern home, to rent or buy, is assured for every employee the firm brings to Peterborough. There are hundreds of homes to buy every week in all sorts of styles and sizes at prices from under £10,000 to over £60,000.

Excellent living conditions produce a better workforce. Most companies have discovered the Peterborough Effect working for them with higher productivity, higher profits and better staff relations.

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Over 1.5 million square feet of factories and warehouses are being built in Peterborough now. All funded privately. The programme is continuous, so firms are sure of the space to expand, for years ahead.

Our factories range from 500 to 50,000 square feet. All top-quality buildings ready for instant use. Serviced sites are available to lease or buy in several locations, all linked by the city's urban motorway system to the national road network.

In the right place

Peterborough is 50 minutes from King's Cross by train. There are 28 fast trains daily into London; and direct services to Harwich, Birmingham, Manchester, Leeds and many other major cities.

The A1 gives excellent road links to the rest of Britain. And Peterborough is the major growth point closest to the expanding East Coast ports of Felixstowe, Harwich, Yarmouth and King's Lynn.

None of these things alone produces the Peterborough Effect. It's that rare combination – all of them together in one city – plus each firm's drive and enterprise.

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It must be the Peterborough Effect

Peterborough
Cathedral city - new town

EEC to investigate public house agreements

By Gareth Griffiths

THE LINK between breweries and their 50,000 tied public houses is being investigated by the EEC Commission, which was told last week that public house licensees want considerable changes in the way the present system works.

A delegation from the National Union of Licensed Victuallers (NULV) which went to the Commission's Competition Directorate last Thursday, said the EEC should press for the abolition of tied agreements on everything except beer.

At present, tied-house tenants have to accept a package of services from the brewers, including specified spirits and wines. The 30,000-strong NULV is worried tenants are losing their competitiveness because of the brewers' restrictions.

The NULV delegation told the Commission it was worried about the extent to which brewery loans to clubs had undercut the position of brewery tenants.

The association also wants an investigation into the growing difference between beer prices in the take-home trade, mainly supermarkets, and prices across the bar.

The Competition Directorate has been examining the links between European drinks producers and retailers for the past two years, although it has concentrated recently on the tied-house system in England and Wales.

Further talks between the Directorate and the NULV are planned for December when a survey on the tied-house system will be presented by the NULV.

Morale among public house licensees is very low at present. Beer sales this year are down overall by 2 per cent, but this figure masks considerable variations.

Beer sales in many public houses are down by between 10 per cent and 20 per cent, and the brewers have faced strong tenant criticism for price and rent rises.

Elinor Goodman at the Labour Party Conference

Williams warns left over EEC

THE PROSPECT of this week's Labour Conference hastening a permanent rift in the Party increased yesterday as Mrs. Shirley Williams put a price on her continued support for the party.

She would not, she warned, be able to stay in the party if it committed itself to unconditional withdrawal from the Common Market.

Mrs. Williams, one of Labour's biggest electoral assets, also said she would be forced to leave if rank and file attempts to mandate MPs on matters of conscience, such as abortion, were successful. That, she said, would be "halfway to dictatorship."

Mrs. Williams insisted it was irrelevant whether she quit the Party but warned that if she, and people like her, left, many others would also leave. Again, however, she dismissed the prospect of any new centre party emerging.

Mrs. Williams, who with Dr. David Owen and Mr. Bill Rodgers has led the Right's increasingly militant campaign against the Left for the last nine months, also repeated her opposition to the Left's demands for changes to the Party's constitution.

But she did not make defeating these demands a definite condition of her continued participation in the Party.

Her warning, on ITV's Week-end World, came as delegates started arriving in Blackpool for a conference which could decide who controls the Party. It provoked an immediate angry response from Left-wingers who privately accused her of disloyalty.

They predicted that she could well live to regret going out on a limb in such a way.

Some moderates also felt she had gone too far and that her threat was unnecessary as the Party leadership looks set to successfully fend off the Left's attempts to change the way the Party leader is elected and the manifesto drafted this year.

But Mrs. Williams' views reflect the serious concern on the Right that although it may win on the constitutional issues by obtaining the necessary union votes, it could lose on the important policy issues, such as the Common Market and defence.

Mrs. Williams has already warned that this year's conference could precipitate a split in the Party if the Left gets its way.

But her warning yesterday was the most explicit yet to come from the Right. Even so, it was probably sufficiently vague to make it just possible for her to stay in the party if this week's conference

succeeds—as seems likely—in strengthening the party's opposition to the EEC and carries the resolution calling on Labour to include withdrawal from the EEC as a "priority" in the next manifesto.

The real clash would therefore come when Labour starts drafting its next manifesto. Partly for this reason, Mrs. Williams implied that the question of who should control the contents of the manifesto was the most important constitutional issue at stake next week.

Asked what would finally cause her to break with the party, Mrs. Williams said that if Labour decided that it would have nothing to do with the European Community, and to withdraw from it, then this would be "such a long step" from the kind of internationalism she believed in that she would have to leave the party.

Mrs. Williams repeatedly stressed that she hoped she would be able to continue in the Party. She could not see any other party—either in existence or on the horizon which she would like to join.

"The Labour Party is my party," she said.

Behind this assertion is the belief of Labour moderates that they represent true Labour Party ideals and that the Left is risking isolating itself from

mainstream Labour thinking.

Mrs. Williams has been a leading campaigner against the constitutional changes demanded by the Left but yesterday she said it was too soon to say what she would do if these changes were carried.

She stressed, however, that she was "deeply concerned" about the issues. There were "very grave dangers" in establishing party control directly over elected members of either a council or Parliament.

In particular, she was appalled by attempts to mandate MPs on matters of conscience. "If the party moved away from the channels of political democracy then I would find it impossible to stay."

Later, Dr. Owen used a slightly more low-key tactic to attack demands for Labour to adopt a policy of all-out opposition to the Market.

At a meeting of the Labour Committee for Europe, he said it would be irresponsible to commit the party now to withdrawing from the Market in its next election manifesto.

"To predict in 1980 what the Community will look like in 1984 is absurd," and would be "about the most negative backward-looking posture that a major political party could possibly choose to saddle itself with."

Call for removal of chief constable

THE HALDANE Society of Socialist Lawyers has called for the removal of Mr. James Anderson, the chief constable of Greater Manchester.

"He has shown himself to be, in our view, unfit to hold his powerful and sensitive office," the society said, in response to Mr. Anderson's remarks condemning the "anti-establishment" race relations industry.

"Moreover, his insulting remarks about those seeking to improve race relations are bound to worsen the position between ethnic minorities and the police."

"While condemning everyone else, Anderson refused to recognise that the existence of racism in sections of the police force is one of the problems that needs to be tackled," said the society.

Mr. Anderson has also been denounced by Miss Joan Lester, a Labour MP.

Miss Lester, chairman of the Labour Party Race Relations Sub-Committee said: "The increased racism and assertiveness of some people involved in race relations is a direct response to their feeling that the problems of discrimination and prejudice are becoming institutionalised in our society."

"If this is regarded as anti-establishment, as Mr. Anderson implies, then the establishment should look at itself," Miss Lester, MP for Eton and Slough said.

"The facts are that there has been a great deal of talking about racial equality but very little real action. I hope his attitude is not typical of senior people in the police force because it will do nothing to dispel the belief among many young blacks that the police are not on their side."

Top police officers are secretly pressing for armed "super-cops" trained in dealing with public disorder, claimed Mr. Michael Meecher, Labour MP for Oldham West.

"They want equipment including riot guns, plastic bullets and flak jackets so that disorder at any level of intensity could be countered," he said yesterday.

Mr. Meecher, an outspoken campaigner on police issues, was speaking at a conference on "Contemporary issues and research on the police" at the University of Surrey, Guildford.

He said the number of policemen "trained in the use of technology of violence" was already large, and the number of times guns were issued to police was increasing sharply.

The Association of Chief Police Officers has officially continued to support more traditional methods but an influential group of senior officers has been "pressing the case for taking the logic of 'fire brigade' police yet further."

"The image of the unarmed British bobby is now a myth," said Mr. Meecher.

Further 650 job losses sought by Port of London

BY NICK GARNETT AND CHRISTIAN TYLE

THE Port of London Authority is seeking 650 more job losses this year, on top of already planned manpower cuts, as a result of an expected year-end loss of £15m.

The authority has told its unions that it expects the year-end loss—worse than expected—to be made up of £12m on trading and £3m on severance payments.

The Port, partly a result of the recession, had a £14m trading loss in a three-year period in August alone. This has forced the management to try to obtain agreement on a faster programme of job cuts.

The current agreement with the unions involves 1,800 job losses through voluntary severance in the current year. About 1,000 workers have so far gone under this programme.

On top of the 200 voluntary severances still to be obtained in the programme the management wants agreement on a further 400 staff redundancies and 250 in the manual labour force.

The management says there have been 1,000 applicants for white collar severance and hopes the recently agreed increase in national dock sever-

ance payments will make severance more attractive. The new job cuts plan put into further question the continuation of the two enclosed upper dock systems.

The authority is understood not to have raised this issue with the unions in discussions over the past few days.

The unions have been resisting the closures although the India and Millwall docks are now shut to conventional general cargo.

With union agreement, the authority has cut its workforce—which accounts for about 70 per cent of costs—from 10,000 to about 6,700 in the past two years.

The expected loss this year is covered by the Government's agreement to honour the previous administration's cash support commitments with up to £20m support for the London docks.

But the Government has said there would be no more money beyond that, and a further acceleration of manpower cuts—which could meet union opposition—is seen by the PLA as necessary to give more elbow room for the downstream docks to capture trade.

South Wales laggards' row grows

By Our Labour Staff

THE construction section of the Amalgamated Union of Engineering Workers said yesterday that a dispute over laggards at a South Wales petrochemical construction site was now turning into one as serious as the Isle of Grain.

The General and Municipal Workers' Union has issued a letter to its members in the area advising them that necessary they should take out membership in another union—while keeping their GMWU membership—in order to take employment as laggards at the Milford Haven site.

Mr. John Baldwin, the AUEW construction section's general secretary, said yesterday that following the breakdown of negotiations between main contractors and members of the Thermal Insulation Contractors Association, at Milford Haven on the terms for lagging work the contractors approached the craft unions.

They were asked and agreed to extend the influence of their own site agreement to cover lagging. Since the laggards have been recruited from these craft unions which, at the Isle of Grain have been supplying replacement laggards for those traditionally supplied by the GMWU membership.

The GMWU letter, written by Mr. Frank Cottam, the union's national officer dealing with the Isle of Grain dispute, says the union needs members on the Milford Haven site in order to know what was happening and to place them in a strategic position in case industrial action was called.

Part of the intention is apparently to show that its members have to take out membership in other unions to obtain jobs on the site.

Mr. Baldwin said yesterday that though GMWU laggards could get jobs on the site without having to take out membership in other unions.

The GMWU has asked for a meeting with Mr. Baldwin to discuss Milford Haven.

Rescue plan for Ayrshire Marine yard

By John Lloyd, Labour Correspondent

A PLAN to save the Ayrshire Marine construction yard on the Firth of Clyde from closure will be presented to the 900-strong workforce at a mass meeting in Irvine today.

The yard's owner, the U.S. company Chicago Bridge and Iron, had said previously it would close the yard following allegations of low productivity and a shoddy work rate.

The yard is a shoddy work rate. The yard is a shoddy work rate. The yard is a shoddy work rate. The yard is a shoddy work rate. The yard is a shoddy work rate.

However, the company met Mr. James Murray, general secretary-elect of the Boiler-makers' Society, and Mr. Ken Baker, national officer with responsibility for shipbuilding in the General and Municipal Workers' Union, last week and laid down a series of conditions under which the yard could remain open.

It is believed these conditions include radical changes in work practices, though neither the company nor union officials would comment on them last night.

ASTMS' forecast

THE index of average earnings will register an increase of 15 per cent by September next year, the Association of Scientific, Technical and Managerial Staffs predicts in its quarterly economic review published today.

The rate of increase in average earnings will match price inflation for the next six months, this will be offset, from the unions' point of view, by falling employment and increased tax on incomes, the review predicts.

It also forecasts a fall in consumer spending of 11 per cent this year, a drop in industrial production of 5 per cent over 1979 and a fall in non-North Sea oil profits of about 10 per cent for the year.

Bank union outlines constitution plans

BY NICK GARNETT, LABOUR STAFF

CONSTITUTIONAL changes within the Clearing Bank Union to recruit in the two English clearing banks in which it has no membership are expected to be agreed in November at the union's annual conference.

The move, which Mr. Jack Britz, general secretary, views as a legitimate way of extending the union's membership and influence, is likely to further entrench the sour inter-union relations within the English clearers.

The constitutional changes involve setting up office branches. This will allow the CBU to recruit staff at the Midland and Williams and Glyn's.

At the moment, staff can only join the CBU by becoming members of one of its three component staff bodies operating in Barclays, Lloyds and National Westminster.

The Banking, Insurance and Finance Union has membership and is recognised in all the five banks. It is the sole negotiator at Williams and Glyn's and has negotiating rights along with the Association of Scientific, Technical and Managerial Staffs at the Midland.

The BIFU's membership within the clearers is about 70,000. The CBU's is about 90,000 in the three banks in which it organises. The CBU says, however, it has gained 3,500 members since its formation out of the old staff associations in August.

The BIFU has been angered by an apparent attempt by CBU to claim sole negotiating rights in the banks where it is represented together with encroaching into other banks where it has no membership. This, the BIFU says, will upset industrial relations. The CBU says it is only attempting to do the same as the BIFU.

Several donor staff at Midland and Williams and Glyn's have approached the CBU about taking membership. The CBU has been forced, so far, to restrict itself to issuing them with magazines and other material.

The CBU leadership feels it should tread quietly in any expansion into the two clearers where it does not currently organise.

The failure to agree a common national negotiating structure for the clearers, because of disagreements between the BIFU and the CBU, is already affecting talks on updating evaluation.

Analysis of bank advances and acceptances

to UK residents by banks in the UK at August 20, 1980; see Table 5 in the Bank of England Quarterly Bulletin.

		ADVANCES & ACCEPTANCES TO UK RESIDENTS						FINANCIAL RESOURCES									
		Total		of which in sterling		of which in foreign currencies		Total financial		of which in sterling		Financial resources		Property companies		Other financial	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
London clearing banks	1980 May 21	26,041	24,862	1,180	2,011	1,786	197	832	982								
	Aug. 20	28,009	26,794	1,215	2,051	1,824	217	845	989								
Scottish clearing banks	1980 May 21	3,450	3,214	236	346	294	116	79	151								
	Aug. 20	3,689	3,441	248	334	288	114	79	142								
Northern Ireland banks	1980 May 21	849	848	1	43	43	3	25	16								
	Aug. 20	886	885	1	35	34	2	27	6								
All banks	1980 May 21	60,308	49,352	10,956	10,203	7,264	2,267	2,252	5,503								
	Aug. 20	63,563	52,455	11,108	10,202	7,371	2,326	2,227	5,649								
of which in sterling	1980 May 21	49,352	48,352	7,264	7,264	7,264	2,212	1,947	3,104								
	Aug. 20	52,455	52,455	7,371	7,371	7,371	2,247	1,944	3,179								
Changes:																	
in sterling	1980 Feb./May	+2,563		+436		+329	+22	+87									
	May/Aug.	+3,135		+127		+51	-3	+79									
in foreign currencies adjusted for exchange rate effects	1980 Feb./May	+306		-30		+15	+17	-62									
	May/Aug.	+334		+121		+25	-18	+115									
		MANUFACTURING															
		Total manufacturing	of which in sterling	Food, drink and allied industries	Chemicals and allied industries	Metal manufacturing	Electrical engineering and metal	Engineering and metal	Ship-building	Other non-ferrous metals	Textiles, leather and clothing	Other manufacturing					
London clearing banks	1980 May 21	7,309	6,991	919	753	439	654	1,736	435	316	693	1,359					
	Aug. 20	8,216	7,866	1,085	766	503	714	1,970	433	471	735	1,540					
Scottish clearing banks	1980 May 21	811	787	180	48	44	38	131	145	19	82	125					
	Aug. 20	868	839	226	45	48	39	145	135	15	73	141					
Northern Ireland banks	1980 May 21	130	130	30	—	—	—	41	—	—	26	32					
	Aug. 20	147	146	33	—	—	—	45	—	—	31	37					
All banks	1980 May 21	16,078	13,889	2,726	2,889	892	1,384	3,044	648	932	1,248	2,915					
	Aug. 20	18,010	14,987	3,073	2,689	1,009	1,577	3,350	661	1,247	1,254	3,145					
of which in sterling	1980 May 21	13,889	—	2,189	2,073	776	1,187	2,650	622	857	1,143	2,393					
	Aug. 20	14,987	—	2,344	1,983	885	1,370	2,895	624	1,141	1,232	2,615					
Changes:																	
in sterling	1980 Feb./May	+688	—	+152	+163	+12	+4	-32	+34	+153	+96	+107					
	May/Aug.	+1,110	—	+160	-90	+109	+186	+244	+3	+284	-11	+224					
in foreign currencies adjusted for exchange rate effects	1980 Feb./May	+218	—	+110	-46	+7	+45	+48	-9	+4	-1	-73					
	May/Aug.	+279	—	+208	-98	+9	+13	+66	+11	+33	+19	+17					
Advances only																	
All banks	1980 May 21	14,482	11,723	2,280	2,560	698	1,163	2,768	634	692	1,063	2,623					
	Aug. 20	16,341	12,339	2,730	2,466	845	1,433	3,139	649	970	1,145	2,959					
		OTHER PRODUCTION															
		Total other production	of which in sterling	Agriculture, forestry and fishing	Mining and quarrying	Construction	Total persons	of which in sterling	Per house	Other							
London clearing banks	1980 May 21	3,687	3,637	1,992	188	1,487	5,479	1,723	2,756								
	Aug. 20	3,957	3,901	2,207	211	1,519	5,881	1,848	4,033								
Scottish clearing banks	1980 May 21	745	697	552	60	133	874	176	400								
	Aug. 20	832	774	618	74	141	617	191	425								
Northern Ireland banks	1980 May 21	236	236	172	5	57	183	44	139								
	Aug. 20	248	248	183	5	60	185	49	136								
All banks	1980 May 21	6,775	5,849	2,847	1,588	2,340	8,112	2,454	5,684								
	Aug. 20	7,170	6,264	3,140	1,642	2,358	8,666	2,635	6,055								
of which in sterling	1980 May 21	5,849	—	2,625	787	2,237	8,112	2,451	5,661								
	Aug. 20	6,264	—	3,119	849	2,297	8,666	2,631	6,034								
Changes:																	
in sterling	1980 Feb./May	+280		+173	+3	+104	+407	+102	+305								
	May/Aug.	+415		+204	+61	+60	+554	+180	+373								
in foreign currencies adjusted for exchange rate effects	1980 Feb./May	+126		+5	+95	+25	+7	+2	+6								
	May/Aug.	-3		+8	-11	-2											
		SERVICES															
		Total services	of which in sterling	Transport and communications	Public utilities and national government	Local government	Retail distribution	Other distribution	Professional, scientific and miscellaneous								
London clearing banks	1980 May 21	7,575	6,974	559	585	116	1,673	1,388	3,214								
	Aug. 20	7,924	7,327	581	630	119	1,769	1,471	3,245								
Scottish clearing banks	1980 May 21	972	862	139	84	73	169	139	367								
	Aug. 20	1,057	926	142	85	98	163	147	406								
Northern Ireland banks	1980 May 21	257	257	15	8	9	99	44	92								
	Aug. 20	271	271	21	9	9	103	45	94								
All banks	1980 May 21	18,694	14,233	1,949	2,126	1,223	2,626	4,239	6,330								
	Aug. 20	19,494	15,168	1,982	2,097	1,506	2,753	4,470	6,786								
of which in sterling	1980 May 21	14,233	—	1,223	371	1,311	2,599	2,899	5,944								
	Aug. 20	15,168	—	1,210	388	1,497	2,729	3,014	6,330								
Changes:																	
in sterling	1980 Feb./May	+752		+22	-137	+221	+324	-26	+357								
	May/Aug.	+930		-13	+17	+186	+130	+125	+485								
in foreign currencies adjusted for exchange rate effects	1980 Feb./May	-18		+78	-55	-20	+1	-213	+193								
	May/Aug.	-61		+41	-16	-1	-3	+23	-21								

Why not invest in Japan?

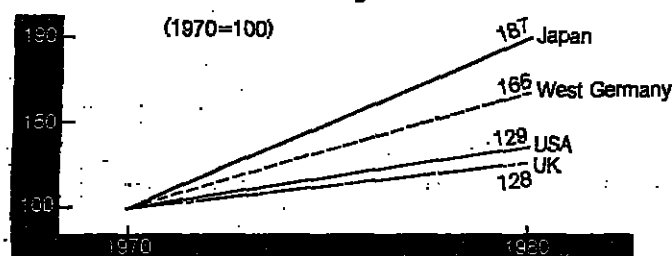
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THE KEYS TO UNDERSTANDING JAPAN'S ECONOMIC GROWTH

GROWTH POTENTIAL

- High savings ratio
- High plant and equipment investment/GNP ratio
- High productivity

Growth of Productivity Index

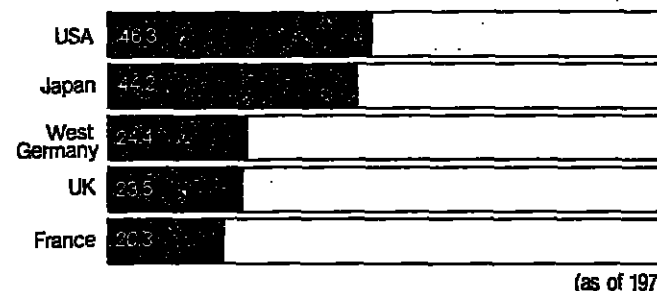


The Japanese industries have faced a number of economic difficulties in recent years—the energy crises, economic stagflation, the yen appreciation, and so on. Continuing efforts to increase productivity through various rationalizations have allowed Japan to maintain its highest labor productivity in the world.

SOCIAL FACTORS

- Effective management
- Good labor-management relations
- High worker morale
- High level of education
- Good government/business cooperation

High Level of Education (% of College Graduates)

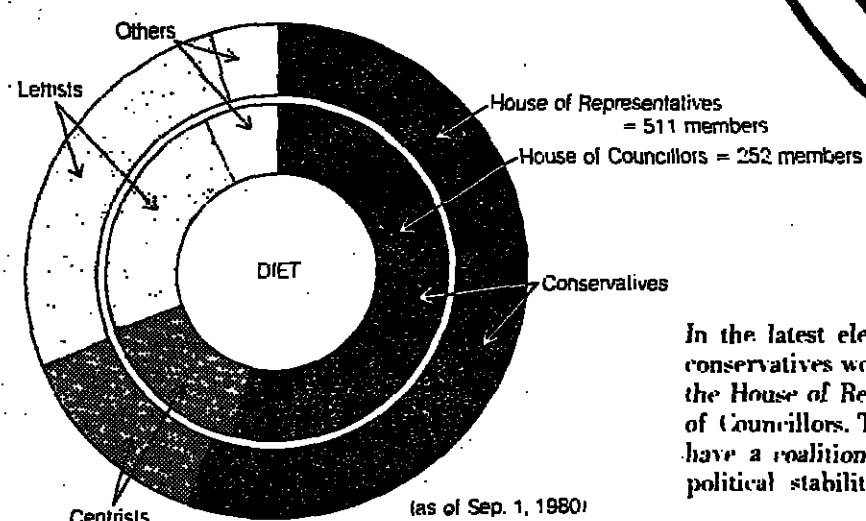


The labor force in Japan is both highly educated and well-trained. Such skilled labor contributes greatly to the production of high quality goods.

POLITICAL STABILITY

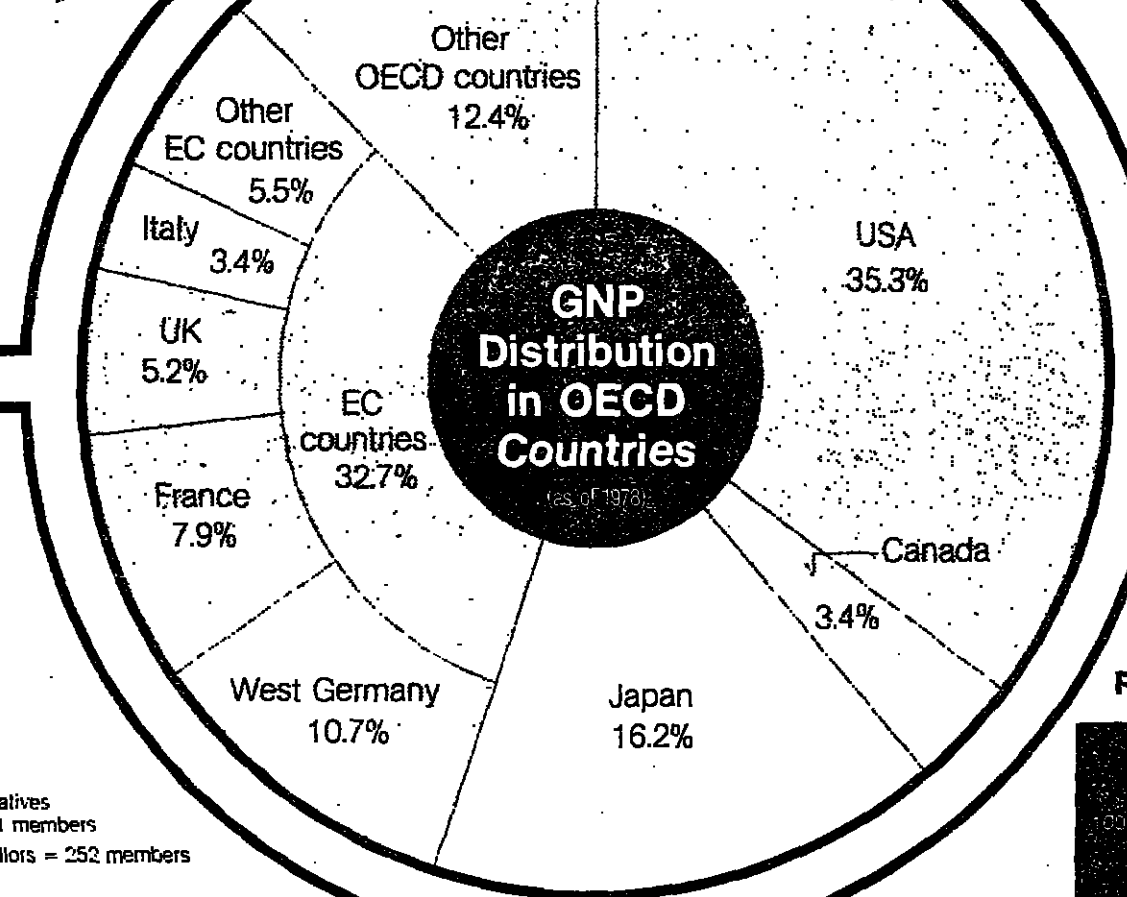
- Stable conservative government
- Growing importance in world economy

Political Distribution after the Latest Election



In the latest election, held in July 1980, the conservatives won decisive majorities in both the House of Representatives and the House of Councillors. The fact that Japan does not have a coalition government assures its political stability.

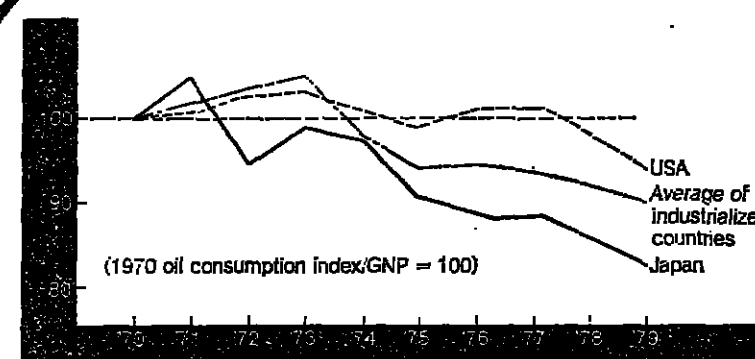
GNP Distribution in OECD Countries



ENERGY EFFICIENCY

- High energy-saving consciousness (Target: 7% saving per year)
- High degree of energy-saving technologies

Reduced Energy Consumption



For the last few years, Japan's industries have made strenuous efforts to save energy. These energy conservation efforts have been quite successful, with the result that Japan now gets maximum production at minimum costs.

(Source: NRI)

Timely information is more important today than it has ever been before. Nomura recognized this importance years ago and began to gather, categorize, and systematize a lot of information. Research, of course, is an important

source of information. And Nomura was the first Japanese company to have an internal research department.

To analyze collected information, Nomura established the Nomura Research Institute (NRI) in 1965. NRI has

accumulated information on technical and engineering innovations, social structures and systems, environmental systems and businesses' overseas projects. NRI also researches and forecasts both domestic and international economic outlooks in terms of

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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

DATA PROCESSING

Microfilm linked to computer

AS MIGHT perhaps be expected, Kodak is a great believer in the storage of data on film and with the inexorable advance of cheap electronic storage is bound to be looking for microfilm applications beyond those that are purely archival and where film is well established.

It may have found one in its latest approach in which the new customised on-line extraction of data from a disc or an

via a visual display unit (VDU) is backed up by retrieval of related original documents using 16-mm microfilm.

The approach will suit those organisations where significant source documents are employed and need to be rather frequently referred to by a VDU operator who is, for example, dealing with the public.

Kodak asserts that in banking and mail order companies in particular (it already has UK orders from undisclosed customers), disagreements of one kind or another often have to be resolved by reference to, say, the original order or financial document, a shipping document, bill of lading or an invoice. Constant and expensive continued reference to original paper can be avoided with the new Kodak system.

For the user there are four basic pieces of equipment: a microprocessor-controlled document recorder to produce the microfilm from original documents, a visual display unit, a microfilm reader and microfilm cartridge storage carousel.

While the documents are being filmed the microprocessor adds codes, compatible with data processing routines, which will allow the frames to be identified during retrieval. After batches have been recorded, paper copies are used by the data entry operator at the VDU to read off the identification codes and enter them at the same time that she is entering the customary data into the main computer database.

When an inquiry gives rise to a need to see the original documents the operator will find that the necessary instructions appear on the screen at the same time as the normal custo-

mer data sent from the company computer. She is told which cartridge to choose from the carousel and plugs it into the reader.

A special interface unit connected to the VDU point effectively monitors everything sent to the VDU so that the appropriate instructions can be sent to the microfilm reader for it to drive the 16 mm film to the correct frame and display it. At a recent London demonstration the necessary document to support the basic VDU data was retrieved in 10 seconds or so.

The only software changes are those required to put into the data fields the control characters necessary to operate the microfilm frame location. This consists of sub-routines added to the database and Kodak will supply systems programme documentation to enable this to be carried out easily.

Kodak is at Station Road, Hemel Hempstead, Herts HP1 1JU (0442 61122).

GEOFFREY CHARLISH

PROCESSING

Puts the squeeze on seeds

A SMALL (40 kg/hour) screw press for turning sunflower and other seeds into oil and cattle cake has been devised by Simon-Rosedowns, Cannon Street, Hull HU2 0AD (0482 29864).

Called the Mini 40, the press is gravity-fed from an integral feed hopper and the standard power source is a 2.2 kW electric motor mounted on a base plate. An alternative power source can be used.

The company says the press is specifically aimed at the "village scale" operator and that it has been designed to operate on cold seed with minimum pre-treatment. In addition to providing press cake for animal feed purposes, the extracted oil when filtered can be used for cooking, it is stated.

INSTRUMENTS

Measuring up to the task

THE SKILLED inspector of machined components, with his experienced eye, gauges and micrometer, could become a vanishing species when instruments like the Bendix Cordax 800 co-ordinate measuring machine are in general use in mechanical engineering.

Crown Windley, Beach's Drive, Chelmsford, Essex (0245 65111), which markets the Bendix machines in Britain, states that the 800 series have been completely redesigned to extend work-handling capability and increase accuracy of measurement. It is also claimed that intelligent semi-skilled people can be trained to use the Cordax efficiently in one day.

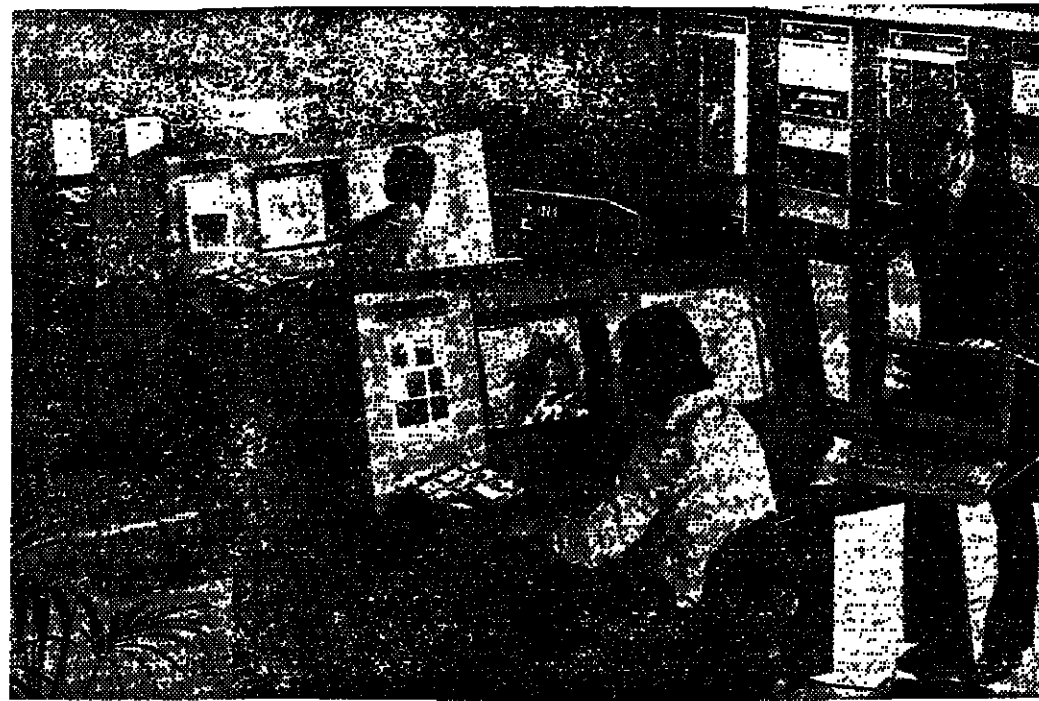
The most important feature of the 800 series is the new measurement pre-processor, which enables the operator to concentrate on checking the component and not to worry about data manipulation or the use of a pocket calculator. The compact measurement and pre-processor unit displays in illuminated figures the correct component co-ordinates as distinct from machine co-ordinates.

The figures are in front of the operator's eyes at all times, without the need for peripherals or print-out, and he has a direct read-out of component dimensions, in inches or decimals of an inch or in metric. He can change over from metric to inches or back again at the flick of a switch.

With 20 per cent greater measurement capacity than earlier models, the Cordax 800 has four Y-axis options and three Z-axis options. Altogether there are 27 machine configuration selections, including direct computer control options. The machine layout is designed for easy access to the work-piece being measured, and the self-cleaning serrated work table is claimed to be precision ground to close tolerances. Any number of series 800 machines can be interfaced to a control computer or to any other compatible peripheral.

The geometry of the machine is claimed to be maintained by a unique technique, using a combination of strain bars and push-pull devices in the X-axes and Y-axes. Linear accuracy is said to be plus or minus 0.007 mm in 1 metre, checked at mid-range of the axes using the electronic probe.

PRINTING



The Response 300 in multi-console configuration, making it possible to process different jobs concurrently.

Automating text and artwork

THE AUTOMATION of the preparation of text and artwork for the press has been taken a long way by introduction of the Response 300 from SciTex.

While electronic aids for the various individual operations involved in prepress work have been available for years, SciTex claims its latest machine is the first to automate the entire prepress process.

The company is based in Israel and has been manufacturing computer aided design systems since 1968. The Response 300, is perhaps inevitably, computer based. Copy and artwork are processed by a scanner and the signals are fed

through a special interface to a high speed minicomputer.

All the colours in the artwork can be taken in simultaneously, or through one separation colour per scan.

The images produced by the scanner are stored on a magnetic disc in digital form—they can be displayed, altered, amended, the colour can be corrected and the entire image assembled on the display screen.

According to SciTex: "An entirely filmless colour prepress department is now possible with the Response 300. Colour separation scanner stations, interactive colour consoles, and laser

plotters can be connected in networks of desired sizes according to the balance of the different types of jobs to be processed by the user."

The machine has already been categorised "one of the 100 most significant new technical products of the year," by the U.S. magazine *Industrial Research*.

SciTex has a European office at 304 Avenue Louise, Box 4 1050 Brussels, Belgium. Tel: 840.46.00.

Enters the graphics

OFFERED BY Hewlett Packard is a new graphics tablet which can be used for entering graphics data into a system for CRT display, selecting from a menu to obtain specific graphics programs and moving a cursor on the screen to locate specific graphics features.

Known as the HP 9111A the tablet has an active working area of 237 x 301 mm including some user definable keys. The surface is ceramic, a lightweight stylus is employed and the unit has a programmable data transfer rate from one to 60 points per second to allow matching to the CRT refresh

rate for smooth cursor movement. The tablet is compatible with a wide variety of the company's computers.

There are 16 "softkeys" embedded in the ceramic surface which cannot wear off, producing their programmed results when touched by the stylus.

The drawing area of the tablet allows line drawings, charts and so on to be entered, using a paper overlay, and stored for future use.

HP is at King Street Lane, Wokingham, Berks. (0734 784774).

SONAR

Listening for echoes from the sea-bed

PUT ON the market by UDI Group of Aberdeen is a short range scanning sonar equipment with "extremely high" definition which should prove particularly suitable for navigation within offshore structures where the use of coded sea-bed transponders can aid in positive identification of areas of interest.

The surface control unit and display are contained within a single package measuring 400 x 350 x 280 mm; a nine-inch monitor is used with facilities for an external display unit or video recording facilities.

Microprocessor control is brought to bear in the control unit for scan conversion purposes; the result is a non-fade flicker free eight level grey scale picture in 625 or 525-line standards—as opposed to the conventional long persistence phosphor displays.

The picture can be held on the display after one complete scan while a chosen sector is refreshed—useful for diver tracking, and guidance. A solid state store holds the scan area can be electronically selected for updating.

UDI Group, Bridge of Don Industrial Estate, Aberdeen AB3 8 EF (0224 705551).

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SECURITY

Table top X-ray

HAVING OVERALL dimensions of only 1,140 x 560 x 560 mm and weighing 138 kg, a table top X-ray security checking unit from Andrex NDT Products (UK) operates from a 13 amp socket and is compact and light enough to be set up easily wherever such a facility is needed.

It is particularly suitable for mail rooms, offices and even the entrances to buildings and provides a safe, direct view by X-ray of letters, parcels, attaché cases and similar items. Such packages can be screened by untrained staff in less than 10 seconds and if high throughput is involved Andrex can supply custom-built systems with conveyors and TV monitors.

Known as MailSafe, the unit has a viewing screen size of 300 x 450 mm and is priced at £4,150 ex VAT. More from 12 Trafalgar Way, Bar Hill, Cambridge CB3 8SQ (0954 81616).

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	British International Footwear Fair (01-739 2071) (until October 1)	Olympia, Earls Court
Sept. 30-Oct. 5	International Home Improvements Show (01-486 1951)	Royal College of Art, Bloomsbury Centre Hotel
Oct. 1-3	Textile Design Trade Show (01-839 8000)	Tree Tops Hotel, Aberdeen
Oct. 7-8	Bookmakers Show (07843 6255)	Metropole Hotel, Brighton
Oct. 8	Petroleum Oil and Offshore Equipment Exbn. (01-637 8841)	Wembley Conference Centre, Cunard Int. Hotel, W8
Oct. 12-15	Junior Fashion Fair (01-498 1833)	National Exhibition Centre, Birmingham
Oct. 14-16	Interpump Conf. and Exbn. (01-393 0231)	Royal Lancaster Hotel, London
Oct. 14-17	Drive Electric Exhibition (01-834 2333)	Earls Court, Olympia
Oct. 14-17	Mailing Efficiency Exhibition (01-405 6233)	
Oct. 15-26	International Motor and Commercial Motor Show—trade days 15-16 (01-235 7000)	
Oct. 21-23	Conference and Exhibition on Marine Transportation and Storage of Bulk Chemicals (0837 78363)	
Oct. 21-24	European Offshore and Petroleum Conference and Exhibition (01-486 1951)	
Oct. 21-24	London Fashion Exhibition (01-385 1200)	

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Sept. 29-Oct. 2	VIDCOM—International Videocommunications Market (01-489 2317)	Cannes
Sept. 30-Oct. 4	International Exhibition of Machines and Processes for the Recycling of Waste Materials (Basle 061 262020)	Basle
Sept. 30-Oct. 4	International Fair for Machine Tools and Tools—INTERTOOL (01-540 1101)	Copenhagen, Paris
Oct. 2-13	International Motor Show (01-439 3964)	Lille
Oct. 8-9	Hydraulic Pneumatic and Transmission Exhibition (01-450 2307)	Dusseldorf
Oct. 9-15	International Exhibition on Information and Automation—INTERKAMA (01-409 0956)	Cologne, West Berlin
Oct. 10-12	International Children's and Young Peoples Trade Fair (01-409 0956)	Helsinki
Oct. 12-16	Fashion—Samples Fair—INTERCLOTH (01-540 1101)	Dublin
Oct. 14-18	Business Machines and Equipment Exhibition (01-486 1951)	Paris, Vienna, Hong Kong
Oct. 15-18	Electrical, Mechanical and Civil Engineering Exhibition (Dublin 763877)	Bris
Oct. 18-23	International Exhibition of Women's Ready-made Clothing (01-439 3964)	
Oct. 19-23	Hotel Equipment and Catering Exbn. (01-584 4411)	
Oct. 22-24	Hong Kong Electronics Show (021-705 8707)	
Oct. 22-29	International Exhibition of Inventors and Novel Features (01-278 0251)	

BUSINESS AND MANAGEMENT CONFERENCES

Current	AMD: Export Management (Windsor 56047) (until October 3)	St John's College, Oxford
Sept. 29-30	AMR International: Positive Discipline (01-262 2732)	Café Royal, W1
Sept. 29-Oct. 2	Calus: Cost Engineering (0734 861101)	St Anne's College, Oxford
Sept. 30	College of Marketing: Innovation 2—Evaluation and acquisition of new products, processes and technologies (06285 2422)	Café Royal, W1
Sept. 30-Oct. 2	CPT: Public Transport in the Eighties Conference (01-831 7546)	Edinburgh
Oct. 1	FT Conference Financial Futures for European Institutions (01-621 1356)	Hilton Hotel, W1
Oct. 2	CCC: Social Security Law (Timely Briefing for Non-specialist) (01-222 6382)	London Int. Hotel, SW5
Oct. 2	Oyez: Getting the best from below-the-line (01-342 2481)	Hilton Hotel, W1
Oct. 6	Oyez: Why don't the British buy British? (01-242 2481)	Quaglino's, SW1
Oct. 6-7	UNCTAD: Containerisation and the Developing World (01-263 1323)	Hilton Hotel, W1
Oct. 6-10	Inst. Personnel Management: Selecting the Right Candidate (01-357 2844)	Whites Hotel, W2
Oct. 7	CAET: Company Law Up-date (01-580 7179)	Hotel Russell, WC2
Oct. 7-8	Inst. Civil Engineers: Coastal Discharges—engineering aspects and experience (01-222 7725)	1-7 Gt. George St., SW1
Oct. 8-10	Frost and Sullivan: Office Automation and the Integration of word processing and data processing (01-486 8377)	Imperial Hotel, Copenhagen
Oct. 8-10	Seminar Services International: Advanced International Tax Planning Symposium (01-370 3244)	International Hotel, Zurich
Oct. 8-10	Infotech: Which IBM Small Computer? (0628 38101)	Portman Hotel, W1
Oct. 9	Executive: Quality Circles—theory and application (0494 33171)	Crown Hotel, Harrogate
Oct. 9-10	AMD: Import Documentation and Finance (Windsor 56047)	Royal Garden Hotel, W1
Oct. 9-10	Brunei: Womenpower Development (0895 56461)	Uxbridge
Oct. 10	Henry Stewart: Computers for Surveyors and Estate Agents (01-835 2382)	Café Royal, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Financial Times Conferences

AUSTRALIA—THE ATTRACTIONS FOR FUTURE INVESTMENT

Melbourne—October 30 and 31, 1980
One of the topics to be discussed at this major international conference will be the role of international stock exchanges in financing national development. Speakers will include the Hon. Nicholas Ashurst, Chairman, Property & Finance Committee, the London Stock Exchange, Mr. Hiroshi Taniguchi, President, Tokyo Stock Exchange, and Mr. Donald L. Calvin, Executive Vice-President, New York Stock Exchange.

EMPLOYMENT IN THE '80s

Grosvenor House, London—November 20 and 21, 1980
This two-day conference will analyse the causes of unemployment, study the options which may be open to reduce the number of unemployed and assess what hopes there may be of a recovery in the employment position. Speakers will include Sir Terence Beckett, Director-General Designate, Confederation of British Industry, Mr. Kenneth Gill, General Secretary, AUEW (TASS), Mr. Jim Lester, MP, Joint Parliamentary Under-Secretary of State for Employment, and Sir Richard O'Brien, Chairman, Manpower Services Commission. Developing countries and their impact on employment in the industrialised world, taking the example of textiles, will be discussed by Mr. Anand Panyarachun, Chairman, Textile International Corporation Limited, Bangkok.

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DKB ECONOMIC REPORT

September 1980: Vol. 9 No. 9

Credit-tightening reaches turning point in Japan as price trend becomes stable

The rising trend in wholesale prices has subsided since last May to the extent that productive activity and personal consumption have started to show a downward trend lately.

With the recession in the United States becoming more conspicuous, Britain and some of the major West European countries have also begun to suffer from a decline in their economies.

Under the circumstances, the Bank of Japan reduced the official discount rate by 0.75 per cent to 8.25 per cent, effective Aug. 20. As a result, the government will have to carefully carry out its economic policies in light of prices and the business trend as there are still some uncertainties about the emerging trend in consumer prices which affect the personal consumption.

Wholesale prices calm down

After a series of continuous rises from November, 1978 till this April, the wholesale prices have shown a steady tone in the last three months with a monthly increase rate of minus 0.2 per cent in May, minus 0.1 per cent in June and 0.4 per cent in July—compared with each previous month respectively.

As the price increase rate of domestic goods as well as that of imported goods calmed down, the trend in commodity prices has been improving month by month.

The wholesale prices, in this sense, are maintained at a steady level despite some uncertainties in the future value of yen, possible effects of the heat wave in the U.S. on prices, and the increasing costs of capital goods.

Consumer prices in the Tokyo metropolitan area rose by 0.7 per cent in May, 0.1 per cent in June and 0.2 per cent in July over the previous month respectively—marking a slow-down in their increase rate.

Although the wholesale prices are expected to continue to affect consumer prices, it is still difficult to increase con-

sumer prices because supply and demand are relaxing lately.

Production in mining and manufacturing industry

The mining and manufacturing production rate showed a 4.1 per cent increase during the January-March period this year over the previous quarter. The production rate, however, had a 0.1 per cent increase during the following April-June period over the preceding three month period, barely maintaining the rising trend. The increase rate in productivity will no doubt continue in the future.

The Ministry of International Trade and Industry (MITI) conducted a survey on the business trend of principal enterprises in Japan this June among 113 corporations in 19 different industries.

The survey shows that about 40 per cent of the total corporations expect their production and shipment to go down during the July-September period compared with the previous April-June period this year.

Particularly, 70 per cent of the corporations in the basic material industry, such as petrochemical and textile, are expected to face reduced productivity.

The trend to cut back production is attributable to future uncertainties such as the slackening in domestic demand, the business recession in the U.S., sluggish rise in export affected by economic friction between Japan and the U.S. It is noteworthy that business sentiment has accepted production curtailment.

Steady tone in private equipment investment

The steady tone in private plant and equipment investments is likely to continue for a while. According to a survey on the investment trends by private corporations conducted last May by the Economic Planning Agency, total equipment investment of all the industries increased by 5.1 per cent after seasonal adjustment for the January-March period

over the preceding three-month period.

Equipment investment was up only 1.7 per cent during the October-December period last year. It is now predicted that equipment investment will continue to increase in the future with an increase rate of 16.0 per cent for the April-June period and 10.9 per cent for the July-September period this year.

As far as the manufacturing industry is concerned, a steady increase in equipment investment is expected for a processing oriented industry, such as the machinery industry, whereas as a relatively small increase is expected for a material oriented industry.

As an increasing number of corporations no longer feel that they are overly invested in equipment, it is likely that a steady tone will continue in equipment investment by private corporations for the time being.

Besides equipment investment, export too is doing well to help boost business activity. Imports, on the other hand, started to decline in growth.

According to customs clearance statistics by the Ministry of Finance, exports based on the dollar in July hit a record high of \$11,444 million, up 28.5 per cent over the corresponding month last year.

Imports, on the other hand, reached \$12,396 million, up 35.6 per cent over a year ago, which is the lowest increase rate this year.

The lower increase rate in imports reflects slackening in domestic demand and a declining trend in imports is expected to continue for some time to come.

Furthermore, many uncertainties lie ahead for Japanese exports as the slump in the world economy continues. With various trade frictions, sales of Japanese cars, the nation's leading export item, are expected to taper off eventually in the U.S. and European markets.

As for steel products, U.S. steelmakers, now suffering

from the lowest operating rate of their factories, have launched cut-rate price competition in overseas markets, making it even more difficult for Japanese steelmakers to sell their products in these markets.

In order to keep up with its favorable exports over a long period of time and avoid trade friction, Japan must try to disperse its exports to many different countries rather than allow a "torrent of exports" in one country.

Efforts must also be made to improve productivity and develop new technologies in a bid to increase viability in the international market.

Signs of decline in personal consumption

Signs of a decline are emerging in personal consumption while private equipment investments and exports maintain favorable trends.

A survey on consumption by EPA (conducted at the end of last June) shows that average consumer spending per household increased only by 4.9 per cent during the April-June period this year over the corresponding period of last year.

It is now predicted that average consumer spending will increase by 5.3 per cent during the July-September period, a rather sluggish rise in recent months, which is lower than the consumer price increase.

The dull tone in consumer spending may be protracted, depending on how consumer prices behave in the future.

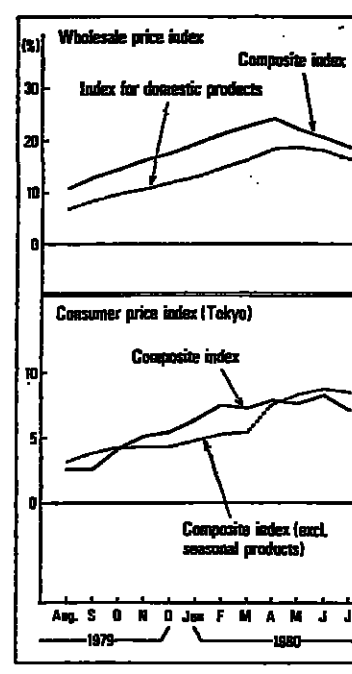
Private housing investment also continues to hover low as the number of new homes to be built in June decreased by 18.0 per cent over the corresponding month of last year.

The declining trend in housing investment continued for five consecutive months with the increase rate in each month falling below that of a corresponding month of the previous year. The sluggish trend is expected to continue for a while due to a sharp price hike in houses and condominiums and an increase in interest rates of housing loans.

Large number of business failures

The growth rate of the money supply in June was 9.6 per cent

Year-to-Year Rises in Wholesale and Consumer Price Indices



Source: The Bank of Japan and Prime Minister's Office

over the corresponding month of the previous year, showing a slowdown from a 10.6 per cent growth rate of the January-March period due to restraints on commercial bank credit.

The growth rate of the money supply is expected to fall to less than a 10 per cent level.

As a result of a prolonged tight money policy, the number of bankruptcies of private corporations has increased sharply with the number of business failures reaching 1,505 cases in July, up 18.3 per cent over the corresponding month of last year.

All the indications therefore are that the prices are gradually moving toward stabilization whereas business activities are on the decline. People in industrial circles are voicing the thought that the government should change its economic policy by putting its emphasis on business activities rather than on price stabilization.

Under such circumstances, the Bank of Japan has decided to decrease the official discount rate, which makes it necessary to watch moves in consumer and crude prices and their effect on the yen's exchange rate. With financial rehabilitation given top priority, the government as well as the Bank of Japan must carefully carry out their future policies.

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Trouble at China's billion dollar mill

A major new steelworks project is spotlighting flaws in China's industrialisation strategy. Tony Walker reports

HAVE THE Chinese made an expensive blunder with their giant new steelworks under construction on the fringes of Shanghai?

Baoshan steelworks is an extraordinarily ambitious project by China's previous standards of industrial development. It has been bedevilled by a series of problems ever since the \$2bn contract for its construction was signed with the Tokyo-based Nippon Steel in late 1978. The first hiccup occurred over the contract itself; it was renegotiated after little more than six months when the terms were changed from cash to credit.

China is now seeking a further renegotiation so that it can supply more of the components for the second stage of the project. Discussions between Nippon Steel and Chinese officials are continuing but both sides maintain that an amicable agreement will be reached.

However, the Japanese entertain severe doubts about the practicality of some of the Chinese proposals.

Not the least of these is the site itself, which is on the banks of the Yangtze about one hour's drive from Shanghai. To secure the foundations, it has been found necessary to drive 100,000 piles into the marshy ground, which has been reclaimed from agricultural use.

There are also problems with the location. Not only is access by road difficult—all finished

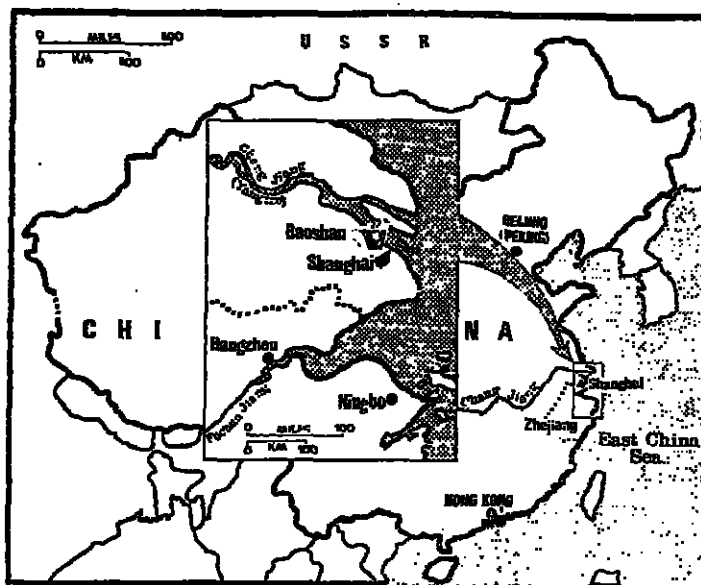
products will have to be transported by river—but the 100,000 tonnes bulk iron ore carriers which will bring in raw material cannot make it up the Yangtze to Baoshan. To cope with the estimated 10m tonnes of imported high grade iron ore Baoshan is expected to be handling by the mid-1980s, a new port is being built near Ningbo, south of Shanghai, in Zhejiang province.

A wharf to cater for 100,000 tonnes carriers is under construction there and is scheduled to be ready for use by 1981. The ore will either be stored at Ningbo or transferred to smaller vessels for the 130 mile journey up river to Baoshan where a new port is also being built.

According to Lu Zhao Chi, assistant manager in charge of production, the Baoshan port will be able to handle 50,000-tonne carriers. However, another problem looms here. In April, the Chinese confided to a group of U.S. engineers who were visiting Baoshan that they were concerned about the movement of a large sandbar above the port.

If the silt became too serious, it would be catastrophic for the project since it is almost totally reliant on river-borne supplies of iron ore, oil and coking coal.

With all these shortcomings one is tempted to ask why the site was chosen in the first place. In November 1977, vice premier Li Xianlan, the senior Chinese official with overall responsibility for the economy, asked Nippon Steel if it would be interested in assisting with the construction of the steelworks, the site for which the



Chinese had already chosen at Baoshan. A month later executives from Nippon inspected the site. The Chinese explained to them that the site had been chosen because it was close to Shanghai, and to the sea. In view of the problems they are having with marine transport, this can hardly be said to be an advantage.

Other factors mentioned were that the product could easily be sold in the Shanghai market, related industries were well developed and utilities well organised.

Nippon, apparently, had no choice but to agree to the location.

According to the Japanese Kyodo news agency, the Chinese vice-premier Bo Yibo has termed the plant a "burden" and complaints and disillusion-

ment about Baoshan have been growing rapidly.

Mr. Lu, however, is adamant that things are going smoothly. He rejects suggestions that China is unhappy with the level of technology being supplied by Nippon Steel and its contractors.

One concern being voiced in some quarters is that the plant, which is geared to accept high grade iron ore, will make China too dependent on overseas suppliers, notably Australia, which will supply much of Baoshan's needs. There are expected to be 10m tonnes worth some \$400m when the plant is operating at capacity in the mid-1980s. Other supplies of ore may come from Brazil.

Mr. Lu said Baoshan would be taking big quantities of Australian iron ore at first. It was hoped, however, that a mine in

North East China could soon begin supplying a share of the higher-grade iron ore needed at Baoshan.

While Mr. Lu was vague about this possibility, there is no doubt that China would like to restrict its dependence on foreign supplies.

The list of companies supplying components to Baoshan reads like a Who's Who of the international heavy engineering business. While Nippon Steel is the main contractor, designer and development manager, other companies to contribute include Schloemann Siemens, Mannesmann Demag, Mitsubishi and Hitachi. Contracts for some components have yet to be signed.

More recently, agreement was reached with Schloemann Siemens for the construction of a cold rolling mill, the cost of which will be about \$760m. In March Mitsubishi Heavy Industries signed an agreement worth between \$250m and \$300m for a hot strip mill.

Mr. Lu says that the main production at Baoshan will be tubing, plating, and metal sheets, much of it intended for use in the country's oil industry, which should also be getting into full swing in the mid-1980s.

Baoshan is a two-stage project. The first stage is expected to be completed in 1983 and the second by 1985. Steel production in both stages will amount to about 8m tonnes.

However, this may well not be needed. A change of policy in early 1979 resulted in the redirection of investment away from heavy industry, particularly steel. In an industry which is over-producing, there is a

stockpile of 18m tonnes of finished steel.

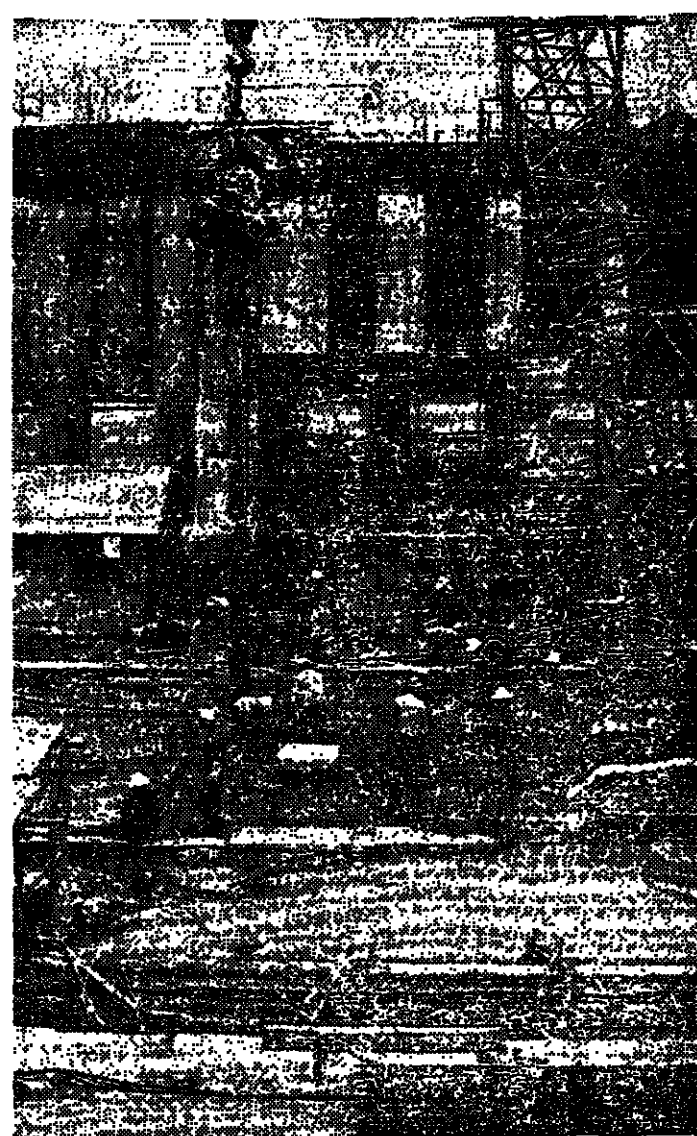
As to cost, officials say Baoshan will cost between \$3bn and \$5bn, although their inability to set a firm estimate suggests there may be problems with overruns.

Underlining the management problems now confronting those responsible for overseeing the construction of Baoshan, is the number of Chinese Ministries and Commissions which have a finger in the pie. There are five or six different ones—including the State Capital Construction Commission, State Economic Commission and the Ministry of Metallurgy; and three or more provinces are supplying resources or have administrative responsibilities relating to Baoshan. All in all, the project seems set to be a hotbed of administrative confusion.

The immense scale of the project can be gauged from the preparations made for accommodating the tens of thousands of workers who will build Baoshan. Villages have sprung up around the site and a new hotel has been constructed to house foreign engineers and technicians who will start arriving in the next few months. Another hotel is on the way.

It is expected that 700-800 Japanese and about half that number of Germans will help build Baoshan. Estimates of the number of Chinese workers are vague, but run as high as 50,000, making it a huge undertaking by any standards.

When it comes to supplying the human muscle the Chinese have few problems: overcoming some of the physical and technical problems may be rather more difficult.



Baoshan: sitting on 100,000 piles

How revolutionary a revolution?

PUBLIC AWARENESS of microelectronics has surely passed a milestone of sorts when we are presented with an anthology of writings on the subject. In the few years—no more than five—in which the subject has increasingly grasped the imagination of professional writers, much garbage about microelectronics has come down the literary chutes. We are fortunate that little of it has found its way into this collection.

A modicum has got on to the cover, though. It cannot be only this reviewer who dislikes the

phrase "microelectronics revolution" not for its overuse, but for its capacity to mislead. The advances in the technology itself, and the further advances which the application of the technology to manufacturing and process industries, to telecommunications and to products will herald, are very great. But they are a part, even if a greatly accelerated one, of the steady replacement of labour with capital which is the fundamental feature of industrial society. To use "revolution" in this context, is to endow microelectronics with the capacity it

does not possess, namely, wholly to transform society. We should be so lucky.

Once inside the cover, however, matters improve. Tom Forester, the author, who was industrial correspondent of *New Society* at the time of the "revolution" was clearly not so bowled over by it that he failed to notice who was writing well about it, besides himself. He

has included in the collection the "classics" (if a five-year-old piece of journalism may be called a classic) like the first essay on the subject in non-specialist circles, Gene Bylin's "Here Comes the Second Computer Revolution" (that word again) in *Fortune* of November, 1975; and Robert Noyce's "Microelectronics" in the September issue of *Scientific American*. It contains detailed guides to the industry (by Ian Mackintosh and Ernest Braun); a contribution on unemployment from the most sensible writer on technology and society, Professor Christopher Freeman, of the Science Policy Research Unit; and a spirited argument between Professor Daniel Bell of Harvard and Professor Joe Weizenbaum of

MIT, in the best traditions of American scholarly bitchiness. It is extremely catholic: the bright consultants' overviews are in there together with a Trotskyist programme for resistance to automation and a feminist polemic on technological oppression. Most interest groups in society have said something about microelectronics, as Forester is evidently aware; we

get a smack of the most salient here, though the bias is rightly towards the expert.

So the collection is admirable. The only cavil is not with the choice, nor with the helpful introductions and bibliographies, but with the material itself. Even the best of it does not achieve a synthesising mastery of the subject which comes from a first class intelligence at once engaged with the subject and capable of integrating it with the other social forces which will shape these crucial technical developments, and will be shaped by them.

John Lloyd

Bell and Freeman come close in their different ways, but they are in the end too breathless with excitement or too specialised. Perhaps it is simply too early to look for such a phenomenon, or perhaps it is simply that chance has not thrown one up. However that may be, this "revolution" has yet to find its Lenin.

"The Microelectronics Revolution," by Tom Forester. Basil Blackwell, 558 pp, £16 hardback, £4.95 paperback.

John Lloyd

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THE ARTS



Fritz Hubner, Berit Lindholm and Alberto Remedios

Covent Garden

Götterdämmerung

by ANDREW CLEMENTS

On Saturday night the first of this year's Ring cycles ended in much better shape, vocally and orchestrally, than it had begun more than two weeks ago. On only a handful of occasions in *Götterdämmerung* did the standard of singing fall below the acceptable, blemishes from the pit were few and quite forgivable in the context of solo and ensemble playing that was generally secure and rich toned.

Yet the production has set itself such standards of achievement in the first three operas of the tetralogy that perhaps disappointments here are inevitable. After the spectacular, imaginative strokes of *Rheingold* and the thorough-going coherence of *Walküre* and *Siegfried*, Götz Friedrich's *Götterdämmerung* attempts mediation between these poles. The synthesis sometimes works nobly — the beginnings of the Prologue and the third act use the mirrored platform more magically than elsewhere; the final demise of the Gods is treated in a consistent and unmelodramatic way — but there are still fussy and redundant elements.

Why, for instance, in a production style that can provide such a strong, simple image for Siegfried's funeral march, should his journey down the Rhine have been illustrated in a clumsy piece of mime? And why must the previously evocative depiction of Valhalla be disguised in the final minutes of the opera by an unutterably

crude picture of the Gods in serried ranks? The problem remains also of the giant perspex lenses that are the main design feature of Svoboda's Götterdämmerung. When used to emphasise Hagen's influence on events, particularly, they work well — though curiously Alberich's appearance, ripe for such treatment, does not use them. But in a revival with singers unfamiliar with the production the positioning behind the lenses becomes critical: too often the clutter of extraneous and partial images distracts and dilutes the impact of a scene.

The vocal disappointments of Saturday's performance may be dealt with swiftly. Rudolf Constantini failed to impose any positive character on the intransigence of Gunther and was consistently outpointed in confrontations; Linda Esther Gray's Gutrune began as if to play the role, tossing in unnecessary mannerisms and only gained a measure of credibility in her discovery of Siegfried's death. Hanna Schwarz looked and moved as a finely athletic Waltraute, but sounds too light and young to lend full emotional weight to her narration.

Otherwise the excellence of the cast centred on Berit Lindholm, in her finest voice of the cycle, secure and even, compensating for a lack of exciting edge in her tone with clarity and intelligent weightings. For Miss Lindholm, Brünnhilde's less vaunted lines are as important as her set pieces, though the counter-act in Act

Two was a thrilling moment: the immolation scene became almost a coda rather than a culmination, a tidying up of loose ends after the real ending of Siegfried's death.

Alberto Remedios, seemed happier with the German text than he had a week earlier in *Siegfried*. Certainly more of the sense was conveyed. Less of his singing — Siegfried's remembrance of his childhood

excepted — was as naturally effortless as before though the affecting power remained. In his game with the Rhinemaidens at the beginning of the third act, charm is evenly spread on both sides. Fritz Hubner's Hagen may not be as commanding of stature as one's stereotype of the part would suggest, but it was a more confident and complex performance than his earlier Hunding. The vocal surety — dark tone, occasional still when the occasion demanded it — was complemented by an appropriately reptilian demeanour, of which Brünnhilde really should be terrified.

By the end of the cycle Sir Colin Davis's up-tempo approach had settled down sensibly. A few passages in the first act have been. But the second act, from the chorus of the vassals onwards in the final trio, was given a real sense of momentum and the last act brought resolution if not with quite sufficient authentic power then at least with certainty and inevitability.

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Purcell Room

Skalkottas

by PAUL DRIVER

The Greek Cypriot pianist, resident in London, Christodoulos Georgiades, gave a recital last Friday sponsored by the Hellenic Cultural Centre and including two works by the neglected Greek genius Nikos Skalkottas. He also played two works by the Maltese composer Pawlu Grech, of which the specially commissioned *Ideograms* — Book 1 was receiving its premiere. A sonata and a set of variations by Haydn and two arrangements (lovingly intoned) of pieces by Francesco

Albini (Fiori musical) completed the programme — a lesson in intelligent novelty of choice, with the items symmetrically arranged around the Frescobaldi and illuminating each other in the most unexpected ways. The concert coincided neatly with the BBC's broadcasting for the first time of Skalkottas's two-hour cycle *22 Piano Pieces*, composed incredibly within just two months in the summer of 1940. Listening to that, pulling together the few strands of knowledge of Skalkottas one had, then hearing Mr. Georgiades in the cycle's *Pasacaglia* centre-piece, left one

assured that if there is a single case in this century's musical history of greatness occluded it is not that of Brian or Sorabji or Pfitzner or Foulds (deserving though these are) but manifestly that of Skalkottas.

His command of means, the energy of his invention, the distinctive harmonic colouring, his breadth of ambition and certainly of grasp are instinctively understood by the

listener. Obscurity did not in his case breed eccentricity; it presumably freed his more wayward fantasy, allowed him to distil a native folk inspiration into something rich and strange (particularly rhythmically), but he retained the utmost regard for clear communication. Pianists may have to strain unduly but audiences do not.

The first of the pair of pieces was the 13 Little Variations of 1927, written when Skalkottas was 23 — a decade before he would seriously commit himself to treating solo piano. It revealed immense accomplishment: elegant, concise, lively music already flavoured by his personal mix of the neo-classic and the lightly exotic. Georgiades was crisp and skilful here but did not much observe dynamic inflections, a fault probably attributable to the intractably hard-tuned Purcell Room piano.

He had acclimatised himself to it, though, by the second half, when his performance of the *Pasacaglia* struck a deep note in the (largely ethnic) audience's heart. The technical brilliance with which Skalkottas re-animates the baroque form, pouring a wilderness of invention into the strict two-bar constraints of his 20 miniature variations, producing piano textures reminiscent of his teacher Schoenberg's but nevertheless his own, had one lost in admiration. Mr. Georgiades took an extreme slow (*Grave*) tempo but the music easily withstood it; he has obviously explored every crevice of its expressive reach.

Elizabeth Hall

Earl Wild

by MAX LOPPERT

The senior American pianist commands a durable reputation as "the ultimate virtuoso" (to borrow the phraseology of his programme biographer). It was not well supported by Thursday's recital. For though Mr. Wild is still able to muster with considerable address all the technical skills demanded by a testing programme, an unlooked-for product of the evening was to draw with new clarity the distinction between true virtuosity (which is a function of mind as much as of fingers) and mere facility.

In different ways all the music sounded facile, in every sense of the word — easy to play, easy to listen to, easy to forget. Franck's *Prelude, Choral and Fugue* (which Cherkassky can swell out to dimensions of grandiose splendour) passed by decorously, in soft tones hushed and reverent (little fade to phrases spreading a whiff of eudemonism). Mozart (the major Sonata, K.592) tripped out in ringlets and ribbons, the

Adagio bathed in a perfumed haze of pedal, the Allegro assai a daintily sugared hoppy-skip. Curious to hear him like this: curious likewise to hear an account of the Schumann *Symphonic Studies* so lacking in emotional energy, density, assertion. The lick at which Mr. Wild took (and sustained) the Finale, and the air of nimbleness — and "show" it elicited, were prime evidence of the pianist's view of the whole work.

For his second half Mr. Wild had chosen Ravel's *Gaspard de la nuit*, followed by arrangements of Wagner by Moszkowski (Isolde's *Liebestod* and Brunnhilde's *The Ride of the Valkyries*). It was hard to know which proved more disconcerting, the imperturbable composure with which the poetic detail of *Ordine* was accented, or the want of scalp-bristle in "Scarbo" and vivacity in the formidably difficult arrangements. As an evening of well-practised, obstinately unstriking delivery and despatch it was, altogether, a disconcerting — and dispiriting — recital.

Architecture

A centre for St. George's

by COLIN AMERY

Recent appeals by Government ministers and others for greater efforts to be made to improve the quality of new architecture have started people thinking about how this should be achieved. Britain has good schools of architecture, well-organised professional institutes, a mass of voluntary societies concerned with conservation and even a Department of the Environment — why is there still such general unhappiness about the state of modern architecture? It is tempting to think that nothing can be done until a few more strong-minded and brilliant architectural geniuses appear on the scene — and this doesn't happen often in a generation. Many people will feel that no amount of official pressure, no increase in the number of institutions can do anything until the public climate is changed.

I have often argued in this column for a change in emphasis in our educational approach to the art of architecture. There should be as much emphasis on the visual education of our children as there already is on their literary education. It is probably also time for more "adult education" into the ways and wherefores of building and architecture. For a long time there has been pressure from within and without the profession for an improvement in the presentation of architecture to the public and at regular intervals there is a cry for an

"architectural centre" where the least comprehensible of the arts can be displayed and interpreted.

Britain lacks any kind of architectural museum although it possesses rich sources of historical material. Last year an international conference was held in Helsinki to discuss the role of architectural museums — curators from East and West established an International Conference of Architectural Museums to collect and exchange information on this under-researched subject.

Canada is about to have its own Canadian Centre for Architecture and in Washington the magnificent Pension Building in the centre of the city is now designated as the home of the National Museum of the Building Arts.

How will the establishment of a museum help the state of current building? The answer is clear. There is a great need to see the art of architecture in the context of history and any architectural centre needs to be a place of research as well as propaganda. To establish an effective centre or museum in Britain is a major undertaking that should not be undertaken without a great deal of research and collaboration among the professions associated with buildings and the Royal Institute of British Architects.

The Drawings Collection of the RIBA and the British Architectural Library of which

it is a part, already provide a nucleus of great quality. The RIBA is always short of funds to do more than maintain the collections and have occasional exhibitions and the gap in the public understanding of architecture cannot be filled by the professional institutions alone.

A centre devoted to architecture and the arts of building should be established in London and it so happens that a home for it may be available in the old St. George's Hospital, now lying vacant at Hyde Park Corner. Although the leasing arrangements for this fine listed building are complex and there are other contenders for the site, it would make a magnificent central home for a national architectural centre.

Mr. Heseltine, with his colleague the Minister for the Arts, has a great chance to give the art of architecture a public display that could, providing it is backed up by scholarship, raise the level of architectural understanding.

There is no point in embarking on this venture unless the Government and the professions and the building industry are prepared to think on a large scale. The issues are complex and Mr. Heseltine should talk to as many different people and groups as possible. This may be one of those rare cases where a quango, charged with a mission to explore all sides of the question of a centre for architecture, really is necessary.



Trevor Humphries

St. George's Hospital—an ideal home for a new Architectural Centre?

Greenwich Theatre

Time and the Conways

by B. A. YOUNG

The time element in J. B. Priestley's time plays never seems to me as important as it does to him, but *Time and the Conways* is a fetching play, all the same, on its purely narrative merits. If Act 2 and Act 3 were played in reverse order, it would be a simple, straightforward family tale that might have been a serial in the *Woman's Journal*. But Mr. Priestley's first shows us life in the Conway family (middle-class provincial) in the days immediately after the end of the First World War; then shows us how things happened for them 18 years later; and then takes up his story from the point where he left it in Act 1.

Naturally, this provides some useful dramatic ammunition

when so many of the situations in Act 2 turn out to contradict the pointers in Act 1 and Act 3. Mrs. Conway, the bossy mother, whom Irene Sutcliffe plays somewhat in the mode of Queen Mary, becomes poor and sad, not prosperous and happy. Young Robin from the RAF (Philip Bower) is a booby, who neglects his wife (Diane Bull), a sweet little girl in Act 1, common and dull in Act 2. Madge (Alison Skilbeck) is not a headmistress after all, but a failed headmistress. Carol (Suzanne Burden) dies. Hazel and Ernest Becvers (Louisia Rix and Colin Higgins), who hate one another, marry successfully. And so on.

But Mr. Priestley, who was curiously obsessed with the time theories of Major Dunne, would

have us believe that there is more in these events than mere cussedness, so Kay (Clare Higgins), scribbling novels left-handed as a girl, reporting the movements of film stars as an adult, is given the capacity to feel in advance the sensations of the future in occasional waves of disquiet. And in Act 2, Alan (Bruce Bould, who develops resolutely according to pattern), explains vaguely the principle of serial time without in any way explaining the failure of events to go properly, or Kay's ability to sense the future.

The reversal of development is an ingenious dramatic idea for its own sake, all the same, and this ably-played production, directed by Alan Strachan, is well worth a visit.

News from the National

The central role of Sir John Brute in Vanbrugh's *The Mock Wife*, to open in the Lyttelton on October 2, directed by Peter Wood, will be played by John Wood. Also joining those already announced are David Bacon (Treble/Coleport Bully), Peter Bourke (Rascal), Lindsay Duncan (Bellinda), David Rowlands (Lord Rake), Oliver Bradshaw, Bob Carlisle, Mary Chilton, Chris Cregan, Irene Hamilton, Geoffrey Leesley, Philip Talbot and David Vann.

The cast is now almost complete for Arthur Miller's *The Crucible*, to open in the Cottesloe on October 30 directed by Bill Bryden. Jeffrey Chiswick (Judge Hathorne), James Grant

(Rev. John Hale), Tony Haythorn (Deputy-Governor Danforth), Anne Kristen (Goodwife Ann Putnam), Alex McCrindle (Francis Nurse), Mark McManus (John Proctor), Derek Newark (Thomas Putnam), Barrie Roper (Ezekiel Cheever), and John Tams (Marshall Herrick) join those already announced.

The Chieftains — exponents of traditional Irish music — are returning to the NT for the first time in three years. They will give two evening concerts, on October 21 and 22 at 8.00 pm, on the open stage Olivier where their last NT concert, in February, 1977, was a sell-out. In 1975 they provided the music for the NT's production of *Synge's The Playboy of the Western World*.

Festival Hall

Wagner by RICHARD JOSEPH

Strange, at a time when Wagner's complete operas are performed all too regularly, to encounter a programme of concert excerpts similar to those given at the Queen's Hall 50 years ago. At that time the LSO would probably have been conducted by Albert Coates; on Friday evening at the Festival Hall, Yevgeny Svetlanov presided. The main interests of the concert were in hearing this virtuoso Soviet conductor tackle repertoire he isn't usually associated with, and in hearing Wagner's scoring unencumbered by the dampening effect of an opera house pit.

Svetlanov's approach to the music was sane, brisk and clear. He did not respond equally well to every piece. The Third Act *Prelude* to *Die Meistersinger* was ordinary in its shaping and the conductor was rewarded with some comparably mundane playing, especially from the

horns. On the other hand, his fast tempo suited the *Lohengrin* *Prelude* unexpectedly well, and its long lines were clearly sung. The LSO's violins have fortunately shed some of their transatlantic pretensions and they played with clean, unglorified tone and very good tuning.

A heady, surprisingly confident reading of the *Tristan* *Prelude* prefaced a more reflective, relaxed performance of the *Liebestod*. Gwyneth Jones sang

this, Elizabeth's greeting from Tannhäuser, with huge resources of tone and volume. The contrast between her beautifully placed quiet head voice and her over-vibrant loud singing threatened at times to become a conflict. But her stylistic command is certain and her presence compelling. She has the ability to evoke a more rapid and heroic ideal of Wagnerian performance than Svetlanov seemed willing to present.

Julie Christie in film of Doris Lessing story

Julie Christie is returning to films to star in an all-British production based on a story by Doris Lessing. She will play the lead role in *Memoirs of a Survivor*.

Miss Christie, who now lives in America, made her last film three years ago when she

starred opposite Warren Beatty in *Heaven Can Wait*. *Memoirs of a Survivor* is the story of an urban society thrown into anarchy by an approaching catastrophic conflict. The ensuing destruction of civilisation is seen through the eyes of a woman survivor — to be played by Julie Christie.

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BOXING BY JUREK MARTIN, IN WASHINGTON

Ageing Ali faces his 'final' battle

"AS THE days dwindle down to a precious few, September, October," the song runs. In American sports, normally these are the months for baseball, as "the boys of September" scratch and claw for those vital hits that will determine who wins ultimately the world series. This year is no exception, as high drama persists in at least two of the game's four divisions and as George Brett of Kansas City struggles valiantly, although probably vainly, to lift his batting average again to the magic 400-mark.

But baseball always has another season. On Thursday night, October 2, in the neon fantasy-land of Las Vegas, a man whose season must surely come to an end soon, whose sporting days, it seemed, had long since dwindled, will again command the national sporting limelight.

At the age of 38, long past the prime of his incomparable life, Muhammad Ali, once known as Cassius Clay, the Louisville Lip, the greatest, the saviour of boxing as a legitimate sport in America, will give it one last try.

He will enter the ring to try to become heavyweight champion of the world for the fourth time against one Larry Holmes,

seven years his junior, the quintessential professional, a bit unexciting but very efficient, equipped with a ramrod left jab and a burning determination once and for all to consign Ali to a long overdue retirement.

There is scarcely a pundit in the country who doubts that Holmes will succeed.

Some people always ask, why does Ali do it? He surely has nothing more to prove in the ring, his legendary reputation can only be tarnished by defeat, as it was by his indifferent performances against countless boxers in his waning years. Six weeks ago, the newly mustachioed Ali was a bloated figure, a lumbering 270 pounds, a parody of the slim magnificence — indeed sheer beauty — that made him so imposing, so untouchable. It was even said that he was becoming punch-drunk.

Money, of course, has always been a factor for Ali. He is guaranteed \$8m (£3.2m) for his fight against Holmes — a great, if last, payday. It has never been entirely clear what he has done with his millions over the years.

His Moslem church gets some, his vast retinue absorbs some,

but he hardly needs more from exposing himself again to another's fists. After all, his commercial viability in retirement is not in question; he is always doing television commercials, and President Carter even dispatched him as an emissary to Africa last year. Muhammad Ali would never be on the dole.

Perhaps it is pure pride, a refusal to admit that his physical skills have deteriorated, a determination to go where no man has gone before. He said that when he recaptured his title for the third time. Now he talks of a fourth time.

The word is that Ali has trained seriously for this fight (he is known to loathe training), and that he is now down to 225 pounds, not much above his great fighting weight. But everybody says that his old speed is gone, of foot and hand, that he could no longer knock down a middleweight, let alone a man his physical match, and that he can no longer evade the punches he once dodged contemptuously. In his more reflective moments, he has admitted this. So has his personal physician of many years, Dr. Ferdie Pacheco, who

is genuinely concerned about Ali's condition.

Yet there has been always a dimension to Ali that has rendered conventional wisdom irrelevant. From the time he first destroyed Sonny Liston to his Zairean demolition job on George Foreman, he has made nonsense of those who doubted his self-confidence. Even Joe Frazier, no faint heart, could not draw as deeply from the wells of inner reserves that Ali found in the "thrilla in Manila." At the same time, by dint of his very presence, Ali has managed to cast some mysterious spell over his adversaries.

It is this extra ingredient, if he still possesses it, that is, perhaps, Ali's best and may be only weapon against Larry Holmes. If it is there, then Ali's "September song" (stretched by a couple of days into October) could be a transcendent aria. But if it is not, as all the experts believe, then add the word "swan" before "song" and weep for yet another professional athlete who did not know that the days had dwindled down to nothing and reduced the once-immortal to just so much more fallible flesh.

SOCCER BY TREVOR BAILEY

Norwich supporters disappointed

AFTER THAT impressive draw at Ipswich last week in the League Cup, Norwich supporters were hoping for rather more than a 2-2 draw at home against Birmingham who, judging by their results to date, and their performance on Saturday, are unlikely to achieve major honours this season apart from their prime objective of re-establishing themselves in the First Division.

On the other hand, John Bond has every right to be disappointed that only 13,801 turned up to see what proved to be a most entertaining match, in which both teams created sufficient opportunities to have at least trebled the total goal tally.

The outstanding managers are those who, over a period of years, are able to produce a team which consistently plays above its true potential and is also normally worth watching. John Bond undoubtedly qualifies as a member of this small, exclusive group, because he has established Norwich in the First Division despite limitations of both material and money. At the same time, all the sides John has fashioned have been inevitably short on true pedigree, but their

approach has been essentially positive. He has been prepared to avoid the standard, normally rather negative systems and has had the confidence to experiment.

This was perfectly illustrated in the performance against Birmingham when he chose two genuine wingers, a rare sight these days, the highly promising Goble on the left and the tantalising, occasionally frustrating Woods on the right.

In the middle the exciting Fashanu created numerous problems for the opposition as a fast-running, fearless old-style centre forward. John tried to camouflage certain deficiencies in midfield by allowing his two flank defenders to push forward at every opportunity and to rely on his two central defenders subduing the opposing strikers — a brave, if not altogether successful, policy.

His new acquisition, the talented Muzinic from Yugoslavia, was employed both in defence and in midfield and should prove a considerable asset.

One could eventually imagine him filling the role which Wilson did so effectively for Ipswich, when he has mastered the English language and over-

come the obvious communication problem now existing. The highlight of a game, which produced more clear-cut scoring chances than normally occur in two matches, was provided by the Norwich second goal, which demonstrated what chaos brilliant individualism can cause.

Young Goble set out on an optimistic cross-field dribble which, having eluded several tackles, he carried on down the right wing leaving a number of bemused defenders in his wake. Fashanu, with perfect timing, rose high to head the cross into the net for a moment which will be treasured long after the match itself has been forgotten.

In these days of falling gates and increasing costs, a club like Norwich, although it fortunately commands an unusually large catchment area, cannot possibly exist on football receipts alone — and they are to be congratulated on the business-like way they have set about raising extra revenue. Apart from a thriving 25 weekly lottery producing £3,000 per week, they have met safety requirements behind the goal at one end by having a superb new stand erected by Carters. This building cost £1.25m and has trans-

formed Carrow Road into one of the most attractive stadiums in the league. Importantly, it is very much a revenue-producing project, providing additional seats and standing accommodation.

It contains 20 well-decorated and appointed private boxes which have been taken by companies at £5,000 per annum, special facilities for their 101 club members, a fine directors' dining room which can also be hired, and a large impressive executive suite for dances and similar functions. The top of the stand will be utilised for open-air concerts next summer. However, the biggest potential money-spinner must be their own pub, which is contained in the building.

In the present age of hooliganism, their pub is understandably not permitted to open until 6 pm on match days. But it is a highly successful venture with an exceptional lunchtime trade drawn from the many adjoining factories. It is good to see the imagination which John Bond has shown through his players on the pitch now extended to fund-raising activities. One leaves Norwich with the feeling that here is a club which deserves to succeed.

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The decline of Labour

THE Labour Party conference opens in Blackpool today in dispiriting circumstances. It is not only that Mr. Callaghan and the so-called moderates are seeking to rely on the wholly undemocratic block votes of the trades unions in order to maintain the Party's constitutional status quo. Nor is it even the new outburst of fratricide within the trades union movement itself as evidenced by the attacks on such basically sensible men as Mr. Weighell and Mr. Chapple. In the Labour movement these matters pass almost for normal.

Social contract

The problems go deeper. It has become increasingly clear in recent years that the British left has lost any sense of political direction. It is no longer easy in the light of experience of Labour Governments (or Labour oppositions come to that) to say what the left stands for. It no longer stands for economic growth, nor even for the redistribution of available resources when growth fails to materialise. The records of Sir Harold Wilson and Mr. James Callaghan hardly show that "irreversible shift" in favour of working people and their families which successive Labour Manifestos have promised. It is argued, not least by Mr. Callaghan, that Labour offers the possibility of a social contract with the trades unions and, therefore, social harmony. Yet events have shown the claim to be ambitious. It was the trades unions as much as anyone else who led to the defeat of Mr. Callaghan's government.

Freedom

Nor, if one moves away from the economy for a moment, is it easy to identify the Labour Party with causes that have been generally felt to be humane. Labour is not noticeably more internationalist than the other parties, nor any more caring about minorities. Its record on race relations is virtually indistinguishable from that of the Tories. It has yet to come to grips with the problem of state power, that creation of excessive bureaucracies on the principle that the state knows best. It is very doubtful indeed whether the Party as a whole has given any thought to how the country can live within its means. On the contrary, it no longer promises either

Zimbabwe needs Western aid

IT IS ONLY a little over five months since Britain successfully steered Zimbabwe to independence, an event which was rightly greeted with congratulations and relief around the Western world. Mr. Robert Mugabe was not the man most Western governments wanted to win, but, in those early days last spring, much was made in Western capitals of the need to match the new Zimbabwe Prime Minister's words of moderation and conciliation with aid of both a material and a moral kind.

What has happened since then? It was always recognised that Zimbabwe would confront enormous political, social, and economic problems, not all of which could be helped by an infusion of Western aid. But on the performance of the last five months, it is hard to avoid the conclusion that if the West has not yet collectively turned its back on Zimbabwe, it is, in terms of its own past promises, beginning to offer the new state a cold shoulder.

Exact figures of what aid is needed in, or has been offered to, Zimbabwe, are difficult to obtain. Unsurprisingly, the amount of capital Zimbabwe feels it needs to meet its people's expectations has greatly increased since the West first started talking about an aid package in 1976.

Then Dr. Kissinger won general agreement that some \$1bn would be an appropriate sum for the West to contribute to the new Zimbabwe's development. At Lancaster House a year ago, no specific amount was committed, though Zimbabweans naturally hoped for at least a similar total.

Now, however, very much less is available. Britain heads the list of donors, with an offer of \$75m over three years. There is also a \$3m military training programme, while the Government suggests that its decision to cancel £22m worth of pre-UDI debt and reschedule another £30m is to be considered as aid.

economic success or individual freedom.

The political question is how much this matters. There is after all no reason why the Labour Party should go on for ever as a major force in British politics. The country has already given a partial answer. Labour's share of the vote in the general election last year dropped to 38.9 per cent, its lowest level since 1931 and part of a cumulative decline over the last decade.

The last time the Labour Party achieved more than 40 per cent of the vote was in the election of 1970. Moreover, there was every sign last year that it was the trades union members and their families who were turning away from the party that was supposed to represent them.

It is of course possible that the shortcomings of the present government will lead to a Labour revival. But one should not count on it. There is plenty of time for the government to change its policies, or for present policies to succeed, or for alternative groupings to emerge. It does not seem very likely, whatever the current opinion polls may say, that a large part of the electorate will vote in a General Election for a party that has so clearly lost its bearings and is so obviously internally divided.

Procedures

The battles in Blackpool will be fought over the three questions of the mandatory re-election of MPs, the system of electing the Party leader and the control of the Manifesto.

There is no reason why the present procedures should be sacrosanct. Behind the demand for change, however, is the campaign to drive the party yet further to the left and therefore even further out of touch with opinion in the country. That is why the more sensible people in the party need to resist. If the moderates prevail, they will still have a long haul to adapt the Labour movement to the needs of the 1980s. They will have to show that it is different from the party of the past and from the many strands in the present Conservative Party. If they lose, they will have to face the fact that the British electorate is unlikely to vote en masse for the dotty and the dangerous left.

Meanwhile, Zimbabwe is meeting a crisis of expectation, in part the result of discontent among 30,000 guerrilla fighters who are still in assembly camps with neither a way to fight nor jobs to go to—nor sufficient food to farm.

Freightening task

In the aftermath of seven years of war, Zimbabwe's new rulers face a frightening task. They must, by redistributing wealth in the form of new schools, clinics, land and jobs, try to satisfy the expectations not only of the fighters but of the millions of blacks, especially in rural areas, who bore the brunt of the war. Yet they must also pursue policies which do not upset the small minority of whites, upon whose continued presence economic growth depends.

Already that confidence is being eroded by developments which show just how delicate are the problems facing Mr. Mugabe. The escalating violence from impatient guerrillas threatens Mr. Mugabe's authority and the fragile post-war peace. The Prime Minister's own decision to amend the law to prevent the return of General Walls, the former army chief, seems a deplorable misuse of constitutional process. But it must also be appreciated that it is the act of a man desperately hoping to stem pressure from those who say his policies lack revolutionary fervour and cannot work.

Western interests in southern Africa are that Zimbabwe should develop along the moderate, non-racial lines Mr. Mugabe set down last March. But the country will have very little hope of doing so, unless it receives much more support from the West.

WRESTLING WITH RECESSION

British industry in a tightening vice

IT'S BRITISH INDUSTRY being squeezed to death by the Government's policies?

"Will its manufacturing base be so eroded that, unable to recover quickly enough, it will decline further in the face of an unstoppable tide of imports when the recession ends?"

"Or will it emerge leaner, more efficient, and better able to compete in world markets?"

Questions like these are dominating the minds of many leading industrialists and members of the Government at a time when it looks as if British industry is about to embark on its second major round of retrenchment this year, with even deeper cuts into labour forces and with even more closures than occurred earlier in the summer.

Industry's first shock came in the late spring when companies reviewed their business results for the first quarter of the year and saw that the recession was beginning to bite and that activity was not picking up in the wake of the steel strike. Rapid de-stocking and manufacturing cutbacks were then ordered and economies were introduced. Most companies were willing to stand by the Government's policies, optimistically believing that by the autumn both interest rates and sterling would drop enough for them to recover.

Now senior executives and

JOHN ELLIOTT looks at the issues raised in our series on British companies. In the first of the series RICHARD LAMBERT below examines Johnson and Firth Brown.

company chairmen are returning from their holidays to discover that the hoped-for new orders have not arrived and that the Government is showing no sign of doing anything significant to ease the cost of borrowing or of exporting in the immediate future.

They are therefore planning further cutbacks: to such an extent that last week's CBI monthly trends report indicated a rising tide of closures and redundancies. "Our problem is we cannot see the bottom of the recession yet and so cannot afford to go on bearing our present overheads when we are hardly making a real profit on anything. Once we see the bottom we can plan our way out," one industrialist explained at the weekend.

Many companies are now talking as if they have little or no intention of expanding their workforces again, or of reopening closed production lines and factories, when business improves. While trying to

protect key activities like research and development, many of them are conducting surgery they have only dreamed of in the past. Until now, they explain, they have not had sufficient incentive to face the human and organisational problems involved.

The Government's policies are therefore having what many people would see as one of their desired effects: the dead, or nearly dead, wood in British industry is being cut out and leaner, fitter companies should emerge.

The problem, however, is that many companies, especially those small ones which are most financially stretched by innovative enterprise, are also being hurt seriously and capital investment is being cut. Unlike earlier recessions, it is also significant that there is virtually no sector of industry that is escaping, although some companies associated with electronics or North Sea activities are doing better than most. This means that suppliers and cus-

tomers are being hit across the country. So when the upturn eventually comes, most companies will not only have to cope with their internal changes, they will also often have to find new suppliers and customers to replace those who have gone out of business—at just the time when foreign competitors can be expected to try to seize the initiative.

But most companies still insist that they are prepared to see the recession out—although at the same time they tell their contacts in Whitehall that the Government must do something to help soon. Some are gaining slight encouragement in export orders, although there is deep concern about the low, or non-existent, profit margins involved.

Some are also encouraged by the changed shop floor attitudes which are enabling them to push through redundancies, improve productivity, and to begin to negotiate single-figure pay rises. But such shop floor quiescence could lead to a trade union backlash when the economy improves.

In addition, industrialists are concerned that the Government will not be tough enough in its public sector pay negotiations this winter to match the relatively low offers being made in parts of the private sector. Optimists believe a cut in interest rates may be imminent.



But any cut is unlikely to be large enough to have much impact on the level of sterling, which is the most often quoted key worry. And there is no sign of any other significant aid being provided to help with the corporate liquidity problems which are pushing companies into their next round of cutbacks.

The articles that follow in this series do not set out to give any final or definitive answer to what the future holds for British industry. Inevitably some companies have problems they wish to hide, or troubles they would rather gloss over. Equally there are companies which are facing such severe problems, or such tough foreign competition, that they do not want to expose their troubles.

What we do hope to do is to shed light on the decisions that companies are taking in the face of the worst financial and industrial problems that most managers have faced in their careers. The picture which emerges is of manufacturing industry being determined to adapt as fast as it can in order to help set Britain's economy on a new course.

But impatience with the Government is growing ominously quickly because, in the view of many industrialists, the private sector is taking an unfair share of the impact of policies which also to a considerable extent depend on tough action by Ministers in the public sector, especially on pay negotiations, for their success.

It's like having an operation without an anaesthetic. If it saves your life you will be grateful later, but while it's going on you scream like hell.

Johnson & Firth Brown Limited

Profits (year to March)	£8.8m
Sales (, , , ,)	£285m
Of which exports (approx)	17%
Employees (1979)	14,331
of which in UK	13,879
Capital employed	£132m

Export profits have also been severely hit. One example is the roll-making business, which has annual sales of nearly £30m and exports about 70 per cent of its output. According to Mr. Ling, its products are technologically advanced, its plant is first class, and its costs compare well with any of its international competitors. It has taken generations to establish a pre-eminent position in important overseas markets like Canada.

"Were we right or wrong to have invested heavily in roll-making?" Mr. Ling asks rhetorically. "If the answer is 'wrong' then there is no future

for manufacturing industry in this country." The group has decided that if it pulls back now its overseas customers for rolls will never be recaptured. So it is persisting with its export efforts, even though in terms of profits the results at present are negligible.

The group is fortunate in that commercial decisions like this are apparently not having to be tempered by financial considerations. Although 70 per cent of shareholders' funds in the last balance sheet, Mr. Ling says there are no cash problems and he speaks highly

of the supportive attitude of the banks towards industry in general during the recent squeeze.

Evidence of this is that Johnson and Firth Brown has recently repaid its overdraft with a new seven-year term loan at no extra cost. It has retained its overdraft facility, and has not been obliged to offer any security. The cost of capital, adds Mr. Ling, is a secondary consideration at present. "We could bear the heavy interest burden so long as we were sure that demand was eventually going to pick up."

The result is that although the group is cutting back its activities it has not been forced to bite into the heartland of its business. Its UK workforce, which numbered nearly 14,000 in 1973, is being reduced by about 15 per cent, but this does not appear to be a temporary response to the current squeeze.

Ever since the wife-maker, Richard Johnson and Nephew merged with the Thomas Firth and John Brown steel business in 1973, the enlarged group has been cutting back on its least efficient and profitable activities, and increasing the emphasis on more specialised, higher value products. What

appears to have been happening recently is that the pace of this activity has quickened.

There certainly seems to have been an important sea change in the attitudes of management and labour in recent months. Earlier this year, there seemed a real possibility that the current pay round would bring settlements of the sort that would simply have finished off sizeable chunks of the business. This threat seems to have receded. Managers have been forced to recognise that they are not in a position to contemplate large pay awards, and the spectre of really serious unemployment has been seen on the shop floor. The signs are that pay settlements could settle down in the 7 to 10 per cent bracket.

Johnson and Firth Brown has not yet suffered permanent damage from the recession, and it may emerge as a leaner and more efficient business. That will depend on two things. The first is the timing of the eventual upturn. The second is the long term health of its major customers. To take the obvious example: if the UK automotive industry does not recover from its current malaise, then nor will its domestically based suppliers.

MEN AND MATTERS

Who follows Roy?

Despatches from the Blackpool front will be eagerly scanned in Brussels this week where Roy Jenkins, referred to by the comrades as Old Pretender, is waiting to unfurl his centre party banner.

The outcome of Labour's un-convincing future, but who succeeds him at the EEC Commission as well. So far, it seems, Margaret Thatcher has had even less success than Jenkins himself in finding someone among Labour's ranks to follow him.

The Prime Minister has not found James Callaghan's whispered suggestions at all helpful. I am told. She blenched noticeably at the name of Fred Mulley, though some considered his defence experience and ability to sleep through formalities ideal qualifications. Other names were not thought worth repeating—and The Lady is still puzzled about how that of John Prescott, former leader of the Labour group at Strasbourg, ever raised an echo.

"This year, instead of 'The Red Flag', I think we should end with 'Brother Can You Spare A Dime?'"

Thatcher's finger pointed instead, with all the directness of Kitchener's recruitment poster, at Joel Barnett, the pukka Manchester accountant who was Denis Healey's deputy at the Treasury and now heads the Commons Public Accounts Committee.

Barnett refused to take the shilling—or more precisely the £45,000 a year—at the first asking—and rejected it even more firmly when the invitation was pressed on him a second time. He would say no more yesterday than: "I'm very happy with my job as chairman of the PAC. There is no question of my going to Brussels."

But Barnett managed the last Healey campaign for the leadership and would certainly be given a senior Cabinet command if the bushy-browed photographer takes over from Callaghan in November and eventually succeeds to Downing Street. Similar calculations may well delay a decision from other pro-market moderates in the running, including Dickson Mabon, the boy scoutish founder of the Manifesto Group, at whom The Lady's digit may next be levelled.

Prü's peak

From its dotty-designed pink palace at Holborn Bar, the Prudential Corporation is lord of, if not quite all it surveys, then usually at least a disconcerting percentage. Mighty indeed are the men from the Prü, and none more so than the chief investment manager, Brian Medhurst, to join Ron Artus among the Gothic pinnacles when Peter Moody, retires at the end of the year. "We tend," observes Medhurst, "to grow our own timber." He confesses to finding the job a daunting prospect but a 22 year career with the group, including five years running the £2bn UK equity portfolio, has given him a head for heights.

In the companies behind whom he puts his corporate weight? "Management," he responds directly. "We take the longer view. We like to feel that the company is well-run, that we know the people and like them." Coming into the job at a mere 45, and still fit enough to hold on to the Prü squash championship, Medhurst would seem to have many years of prudence ahead of him. Had he never been tempted out of the Prü's portals? There have been offers—all of them "absolutely resistible," he says. "I am a round peg in a round hole at the Prü."

Fresh air

Recessions do not inhibit Peter Dau, ebullient European head of Sullair, the U.S.-owned compressors group that it about to break into the British market. "That's the time to get on the move," he breezed over the line from Germany yesterday. "When everyone else is standing still or backing away."

And that's not just a lot of hot air, Dau insists. He started the company's European operations in 1974, in the depths of the economic crisis that followed the first major oil price increase. "We've been quite successful," he said modestly. Sullair did not get where it is today with a fourfold sales increase over the past six years, then usually at least a disconcerting percentage. Mighty indeed are the men from the Prü, and none more so than the chief investment manager, Brian Medhurst, to join Ron Artus among the Gothic pinnacles when Peter Moody, retires at the end of the year. "We tend," observes Medhurst, "to grow our own timber." He confesses to finding the job a daunting prospect but a 22 year career with the group, including five years running the £2bn UK equity portfolio, has given him a head for heights.

Uxbridge will make its breakthrough. "The British market is the last big one in Europe left for us to attack," he reflected. "I've got to start thinking about the next target."

Dining in

No palpatings for Keith Wickenden, European Ferries chairman and new owner of Singer and Friedlander, as he enters the rarefied air of that most exclusive of City clubs, the merchant bankers' Accepting Houses Committee. As Tory MP for Dorking, he is a founder-member of an even more elite political club at Westminster.

Wickenden arrived at the Commons after last year's General Election to find the other Tory freshmen busily forming new dining groups at which policies, personalities and the plaid could be comfortably dissected together. Lord Thorneycroft's former aide, Tristan Garel-Jones, and similarly eager young men of intellect formed the "Blue Chips." Old Etonians, Wykehamists and fellows from Balliol took their places at separate tables.

When the chair-shuffling stopped, Wickenden (East Grinstead Grammar) and Sowerby's jolly Don Thompson (Tiptonholme Grammar) found themselves still standing. They promptly formed their own club, the Yorkshire and Sussex Yeomanry, and restricted its members to Tory natives of the counties denied the benefits of both public school and university education.

For a year they have dined formally at a table for two, unable to find anyone among the other 337 Tory MPs qualified to join them. Now they have decided to amend their articles of association, waiving the birthright clause to share their pottage with Rossendale stockbroker, David Trippier (Bury Grammar), and Rochester's former food minister, Peggy Fenner (Brookley Elementary).

Observer

FINANCIAL TIMES SURVEY

Monday, September 29, 1980

NIGERIA

TWENTY YEARS OF INDEPENDENCE

PART ONE: PART TWO WILL APPEAR TOMORROW



Nigeria is black Africa's most influential state: one in four Africans is Nigerian; it has the continent's largest army, is the second largest supplier of oil to the United States, and Britain's tenth biggest trading partner. Those are just four reasons why the West pays attention to Nigeria, which this week celebrates its

THIS two-part special survey marking 20 years of Nigeria's independence has been written by a team of six Financial Times journalists, each of whom visited Nigeria during August and September. The Survey has been edited by Bridget Bloom, Africa Editor, who writes the section on politics in Part Two.

Tony Hawkins, Professor of Business Studies at the University of Zimbabwe and Salisbury correspondent, has written the section on the Economy which opens Part One.

Martin Dickson, formerly Africa correspondent and now

Energy correspondent, has written the following section on Energy, while Ian Rodger of the financial staff has written the sections on Finance and on Industry.

Mark Webster, Africa specialist on the foreign staff, concludes Part One with a review of Agriculture and the Social Sector.

In Part Two, Michael Holman, Central Africa correspondent, writes about communications.

Most of the photographs in the survey were taken by staff photographer Ashley Ashwood.

The designer was Phil Thompson and the production editor Peter Thompson.

BASIC STATISTICS

Area	923,768 sq km	Trade with UK 1979	
Population	82.7m (est.)	Imports	£638m
GDP	48.7bn Naira (1979/80)	Exports	£186m
Imports (1979)	US\$11.8bn	Currency	
Exports (1979)	US\$16.7bn	£1 = 1.27 Naira	
		100 Kobo = 1 Naira	
		US\$1 = 0.54 Naira	



twentieth anniversary of independence. In those years Nigeria has moved from the civilian leadership of Prime Minister Sir Abubakar Tafawa Balewa (above) through 14 years of troubled military rule to the civilian Presidency of Alhaji Shehu Shagari (right) elected a year ago.

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	N'000	N'000		N'000	N'000
Shareholders' Funds	77,208	65,228	Cash & Banks	762,991	497,169
Deposits etc.	1,638,286	1,219,578	Investments	39,883	39,961
Contra Items	772,169	516,155	Loans & Discounts	864,836	703,004
Unappropriated Profit	389	362	Contra Items	772,169	516,155
			Other Assets	48,173	45,034
TOTAL	2,488,052	1,801,323	TOTAL	2,488,052	1,801,323

N1 = US\$1.828; Stg. 0.781; FF 7.4276

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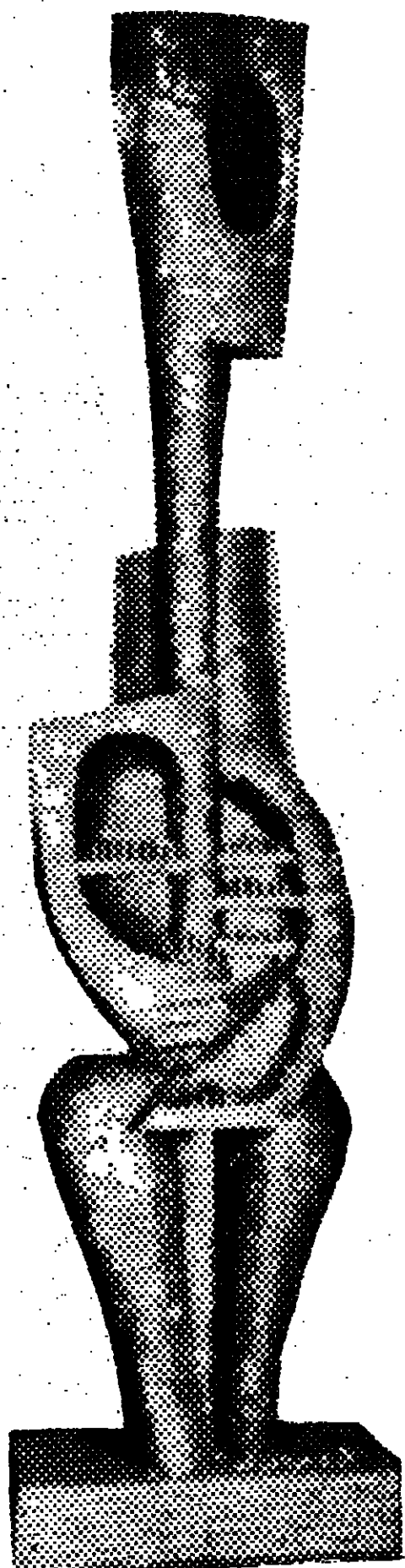
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Good management is the key to the future

At a time when most developing economies face an increasingly hostile international economic environment, Nigeria, by virtue of its oil wealth, has a golden opportunity to break out of the low income poverty trap. And it is a particularly refreshing aspect of Nigerian society today that there is a general consensus on the type of economic strategy needed to secure this breakthrough into self-sustained development.

THE PROGRAMME outlined in the 1980 budget and likely to be reiterated in the 1981 budget next month, and in the recently-published Guidelines for the Fourth National Development Plan emphasises the central theme of structural change primarily in the form of rural development and much-enhanced self-sufficiency.

Unfortunately the gap between good intentions and achieved performance is a substantial one. Many of the well-intentioned policies outlined in the Third National Development Plan, in particular, have not been achieved—an obvious reason for this being the "management gap" that was so evident during the 1970s, and is still a major constraint on the economy today. The real challenge facing the Nigerian economy in the 1980s is that of successfully managing structural change, rather than, as in the last 10 years, allowing the economy to career off along the road of unbalanced and ill-administered growth.

This is not to imply that Nigeria has squandered its oil wealth. Far from it. There is considerable visible evidence in the much-improved roads network, the heavy spending on housing and construction, the high level of commercial trading activity and the progress made towards Universal Primary Education to demonstrate that many, if not most, Nigerians have benefited, at least to some degree, from the oil boom.

But growth has certainly been urban-biased—largely confined to Lagos and the other cities. In all probability, the 70s witnessed a widening of income and wealth disparities in Nigerian society with the rich becoming relatively better off and the poor relatively, if not absolutely, worse off. The neglect of agriculture, upon which more than 70 per cent of Nigerians depend for their livelihood, has itself ensured a deterioration in the pattern of income distribution. Indeed, the visitor to Lagos is repeatedly told—by Nigerian officials and businessmen as well as by expatriates and diplomats—that

to consume more than their fair share of national income."

An absolute fall in rural living standards was probably only prevented by urban workers' remittances to their families in rural areas.

That the pattern of growth has turned out to be lop-sided is hardly surprising when seen in historical context. In the early 1960s, Nigeria was the stereotype colonial economy chugging along almost entirely on the strength of its success in exporting agricultural products, especially cocoa, groundnuts, palm kernels and palm oil, which in 1960 accounted for almost 60 per cent of total exports.

Although commercial production of petroleum started in 1958, it was only in mid-1960s that oil started to have a material impact on the economy, accounting for more than a quarter of exports in 1965.

On this and the subsequent five pages Tony Hawkins reviews the major developments in the Nigerian economy since independence 20 years ago. He concludes: 'Probably the most crucial constraint on the economy today is the lack of management skills and expertise. These must be developed on a far greater scale than in the past, even if this means reliance on expatriates in conflict with stated Government policy.'

accounted for only 17 per cent of total population, secured 36 per cent of total income. In the urban sector itself, 83 per cent of the population belonged to the lowest income group with 12 per cent being described as middle income earners and 5 per cent fitting into the high income category. There are no income distribution figures to validate the widely-held impression that the pattern of income is very heavily skewed in favour of an urban minority, especially in the commercial and distributive sectors. The Economic and Statistical Review for 1978 notes: "One knows from personal experience of the living style in Nigeria that quite a few of the population, who are very rich, tend not only to exhibit exotic taste, but also

But the advent of oil revenues was largely overtaken by the civil war in 1967-69 which, aside from its obvious disruption of the economy, meant that funds that would otherwise have been available for development were spent on armaments and soldiers.

In the early 1970s oil revenues were again siphoned away from development by the high cost of maintaining Africa's largest army and by spending on reconstruction after the war.

But the quadrupling of oil prices in 1973-74 gave Nigeria both the foreign exchange resources and the Government revenue to embark on an ambitious programme of investment in the infrastructure. Expenditure under the Third Plan, 1978-80, was set at some N30bn—almost six times the

Second Plan whose total outlay was N5.3bn.

The oil boom was just too much for the economy and for the administration—inflation soared to 35 per cent, bottlenecks were evident throughout the economy, the transport system, the ports, telecommunications and water resources were simply unable to cope.

But by 1980 the position is much improved. The ports are no longer congested. The roads have improved and telephone services are far better. Many constraints are still evident—most obviously in respect of food production and of management and expertise, which is why investment programmes in the 1980s must be biased towards rural and human resource development.

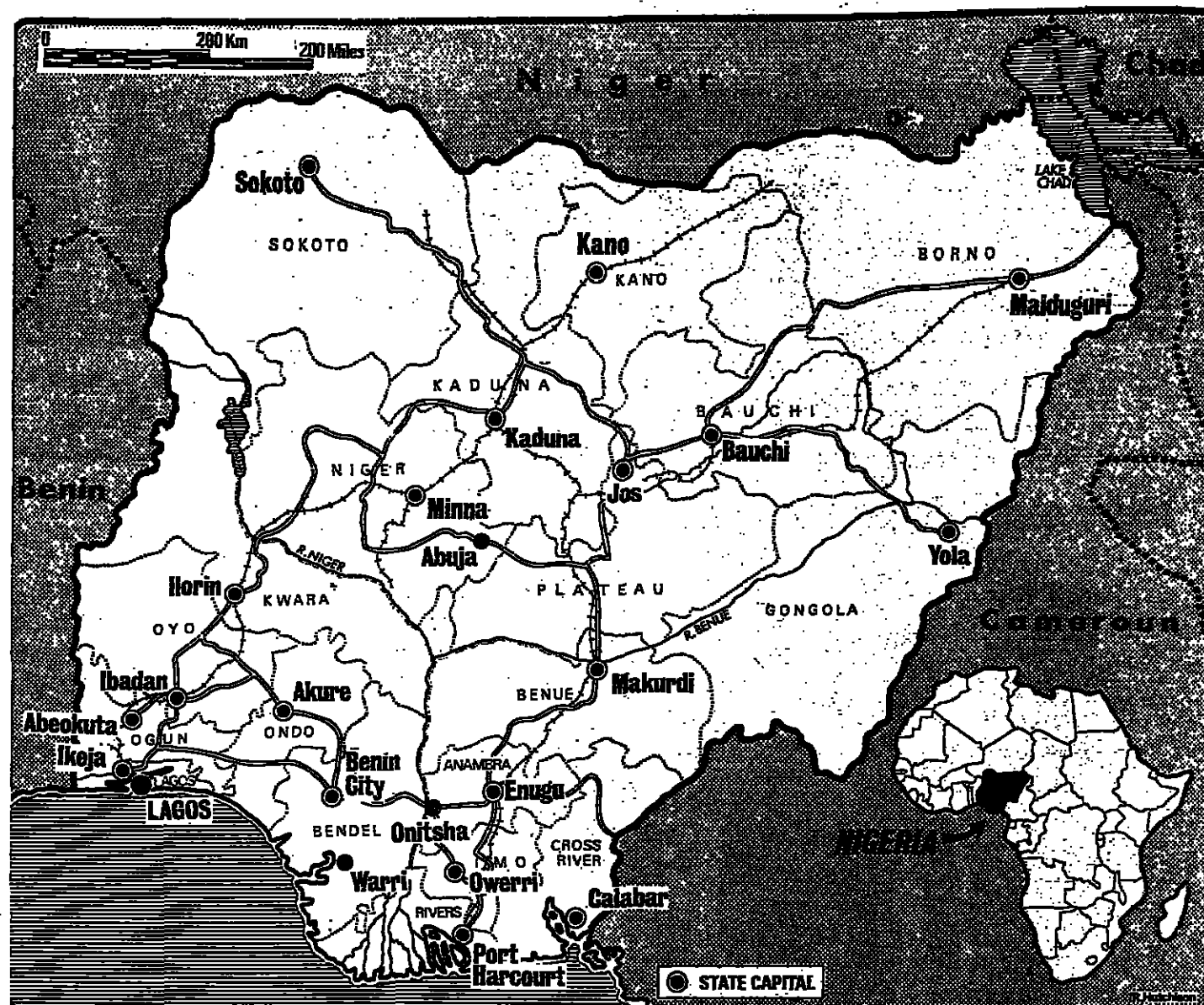
This unbalanced growth notwithstanding, there are a number of social indicators that do reflect very real development, rather than just growth. Thus, university enrolments more than trebled from 14,500 in 1970 to 53,000 in 1978, while in the case of secondary schools the increase was from below 200,000 at the start of the decade to 1.85m in 1978. The primary school population trebled during the 70s to exceed 10m in 1978.

Life expectancy increased from 39 years in 1960 to 48 in 1978. The ratio of doctors to population improved radically from one doctor for 57,000 people in 1960 to one doctor for 15,800 people in 1978. The number of hospital beds per 1,000 people rose from 0.45 in 1970 to 0.75 by 1978 while electricity consumption per head more than trebled during the 70s.

In absolute terms, many of these social indicators fall short of the "average" for middle-income economies, into which category Nigeria falls, but progress is being achieved which gives the lie to the simplistic assertion that the country is growing without developing. There is evidence, too, of social mobility.

The "growth without development" school is on firmer ground, however, in the narrowly economic context of the "enclave" nature of the oil sector. Not only is oil a highly capital-intensive activity employing some 6 per cent of the employed labour force while producing 24 per cent of Gross Domestic Product and 95 per cent of exports, but its direct linkages

CONTINUED ON PAGE IV



Decrees produce increased local ownership of industry

INVESTMENT

NIGERIA'S 'INDIGENISATION' policy has certainly succeeded in its prime objective of increasing Nigerian ownership of industry. A recent paper by Professor G. O. Nwankwo, an executive director of the Central Bank of Nigeria, shows that by 1978, Nigerians owned almost 42 per cent of private sector capital as against 7 per cent 10 years earlier.

The advance of Nigerian ownership is most apparent in the mining sector, including petroleum, which was wholly foreign-owned up to 1973 but which was 61 per cent Nigerian owned in 1978. (See tables on pages 12 and 14.)

The Nigerian Enterprises Promotion Decree (1977) classifies all enterprises into Schedule I activities (exclusively reserved for Nigerians), Schedule II enterprises (minimum of 60 per cent Nigerian ownership) and Schedule III businesses which have to be at least 40 per cent Nigerian-owned.

Service activities and unsophisticated manufacturing is effectively barred to foreigners while the 60 per cent requirement applies to a wide range of manufacturing activities such as brewing, soft-drinks, cement, confectionery, matches and metal containers, as well as to industries in which large Government participation is expected such as iron and steel and fertilizers.

The 40 per cent requirement is applied to basic industrial sectors such as chemicals, raw materials and transport equip-

ment along with well-established industries that have traditionally had a high level of foreign investment (textiles being an example).

The effect of the NEPD decrees is that any new foreign investment has to be joint venture in character, at least to the tune of 40 per cent Nigerian ownership.

In his paper, Professor Nwankwo says that this programme has promoted rather than retarded direct investment in Nigeria.

Expatriate businessmen argue rather differently, saying that since 1977 there has been little in the way of new foreign investment—in the sense of actual capital inflows—though it is conceded that foreign investors continue to plough back unremitted profits.

This latter view was apparently supported by the Industry Minister, Mafam Adamu Ciroma, who was reported last month as saying that since 1977 the inflow of foreign investment had virtually dried up.

Professor Nwankwo himself admits that there was disinvestment by foreigners in years in which the indigenisation decrees were announced or in which they became operational.

Trebled

Despite this, the book value of private foreign investment in fixed assets in Nigeria is shown to have trebled between 1966 and 1977 when it reached N2bn. Britain's share barely changed over the period, hovering around 50 per cent, but the U.S. share rose from 17 per cent to almost 30 per cent, while Western Europe's share (excluding Britain) fell sharply.

On Professor Nwankwo's

figures, Britain invested N750m in Nigeria between 1966 and 1977, well over half of which represent reinvestment of unremitted profits.

Surprisingly, the figures suggest that non-oil investment grew faster than that of oil companies during this period: 14.3 per cent as against 11.7 per cent a year. By 1977, oil investments represented some 39 per cent of the total as against more than 50 per cent in 1966, while the non-oil share had risen from just under half to just over 60 per cent.

But ownership does not necessarily imply control and this is a touchy point with some Nigerians, reflected in the system of "expatriate quotas". The 1978 Economic and Statistical Review published by the Government notes: "Regrettably, in spite of the indigenisation decrees, the management of businesses is still firmly in the hands of foreigners."

One reason for this, says the report, is that Nigerian shareholders appear to be more interested in dividends than in who is running the company, which seems understandable enough. But the report is sharply critical of foreign companies which it accuses of forcing "technical agreements" on the Nigerian ownership that leave expatriates holding the managerial reins.

It is important, the report says, that expatriates are not appointed to managerial positions that could effectively be filled by Nigerians.

In a country where managerial expertise is at such a premium, particularly in the public sector, this is a harsh and even short-sighted assessment. The fact is that manage-

ment is an expensive item in Nigeria with businessmen estimating that indigenous managers, let alone those recruited abroad, are relatively more expensive to employ than in Western Europe or North America.

Foreign investment in Nigeria is being constrained not only by the shortage of managerial talent and the impact of indigenisation, but also because decision-making in the public sector, on such vital issues as the availability of land, the level of tariff protection and so on, is a very protracted affair.

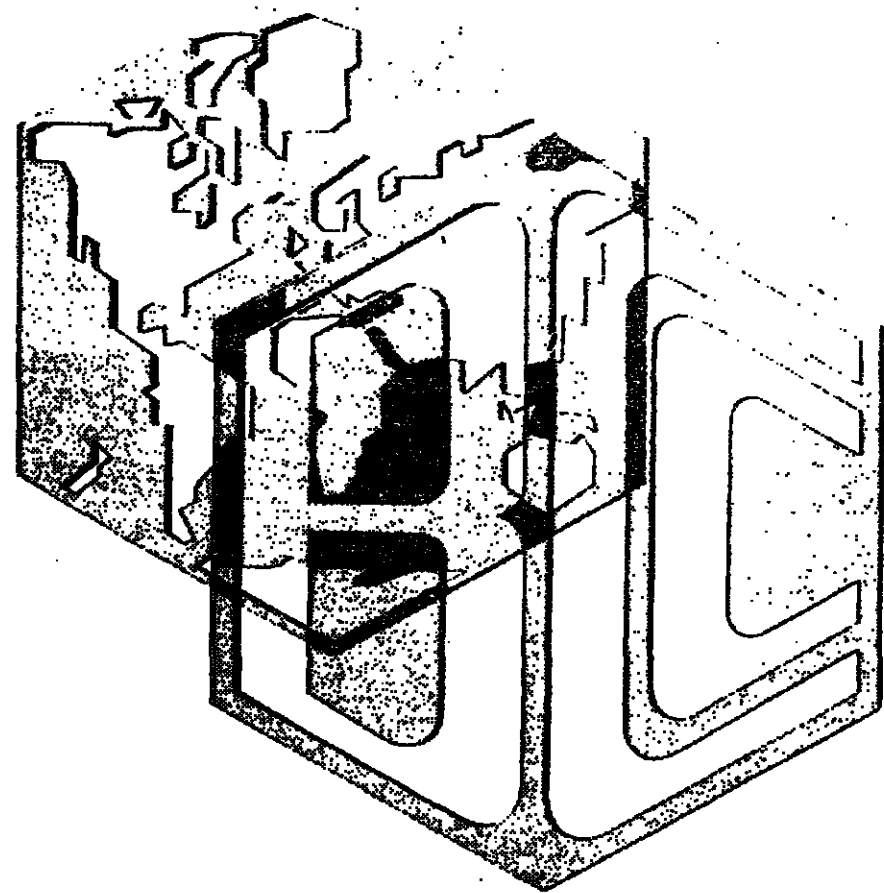
Complexity

One businessman estimates that it takes two or even three times as long to implement an investment decision in Nigeria than in Europe because of decision-making delays and the sheer complexity of the regulations that must be observed.

A reversal of the indigenisation policy seems most unlikely if only because the Government's political opponents would make enormous capital out of any going back on the NEPD. At the same time, there is an influential school of thought in the public as well as the private sector that argues for a scrapping of the policy in respect of agriculture in the hope that this would help turn that sector around.

Because of Nigeria's oil wealth, money capital is not the issue. Foreign investment in all sectors is desirable not so much from the funds inflow viewpoint—which is frequently relatively small anyway—but because of the people and the access to technology that it implies.

T.H.



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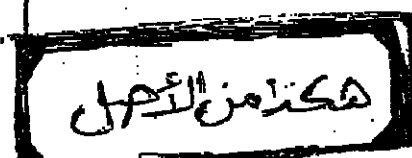
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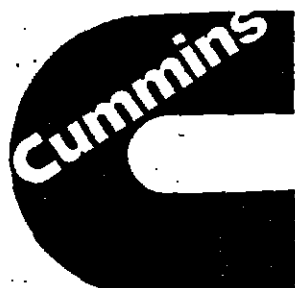
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Scoatrac's investment in training.

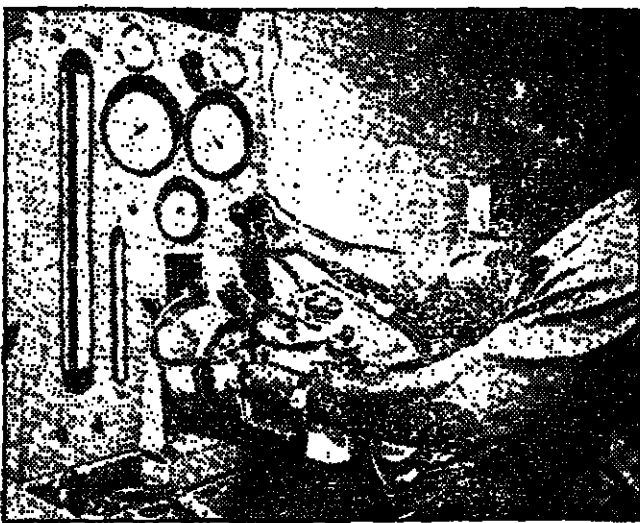
Training is another major ingredient in the magic of Scoatrac's development. The company realised at the onset that it was entering a market in which the construction industry was relatively young by international standards. Scoatrac has now built up its own expert local staff and to extend this privilege to its customers' personnel. Over the years Scoatrac has put a high premium on training and the results have been most rewarding for all concerned.

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Scoatrac's aggressive market approach.

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Scoatrac's international expertise.

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Scoatrac looks ahead with the eighties.

Scoatrac is looking confidently in the face of the coming eighties and we have a lot to offer for the development of the nation.

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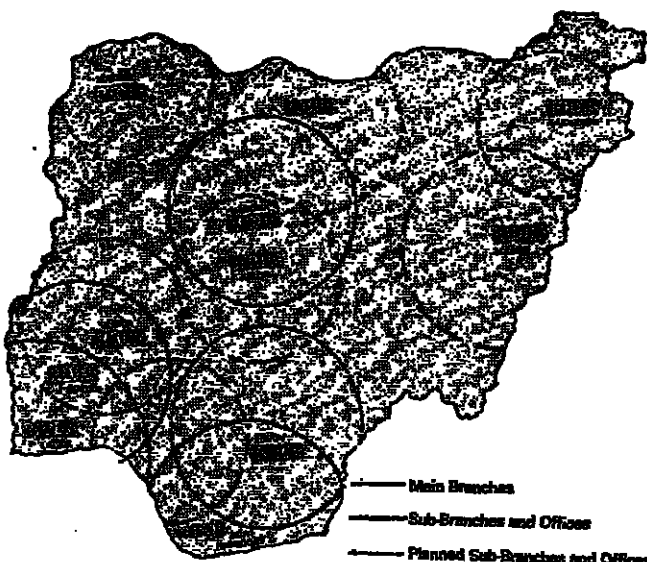
But it doesn't stop there, for the market is always being reviewed, new techniques and machinery to meet those needs examined. To keep ahead, Scoatrac thinks and plans ahead to give the customer, the right machine, at the right price, at the right time, and the right location with the right backup.

Scoatrac a truly nationwide sales and service operation.

Today we are proud to be spread all over Nigeria, with our main branches at Lagos, Ibadan, Port Harcourt, Kaduna; our sub branch offices at Numan, Benin and our planned sub branches and offices at Ilorin, Abuja, Sokoto, Kano, and Maiduguri.

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NIGERIA IV

UNDESIRABLY HIGH DEPENDENCE ON FOOD IMPORTS

'Relative prices have shifted against agricultural producers, while the younger and more able-bodied element in the labour force is increasingly lured to the bright lights of the cities in search of better paid and more congenial employment.'

CONTINUED FROM
PAGE 11

with the rest of the economy are minimal.

Its critics argue—with justification—that there is little technological transfer in oil and little "learning by doing," with the industry relying heavily on imported expatriate skills.

Domestic inputs are slight and forward linkages—further processing—marginal. Although Nigeria's refining capacity is increasing, it remains the world's largest exporter of crude and in the first seven months of 1980, deliveries to Nigerian refineries averaged a mere 122,000 barrels a day from output of 3.2m barrels a day.

But while the industrial linkages from oil are undeniably tiny, the fiscal redistributive effects—from federal Government taxation and expenditure—are demonstrably huge. Of total federal Government revenue of almost N12bn this year, oil revenues will account for no less than 83.6 per cent. Put simply, oil income will not only finance the entire N3.7bn being devoted to recurrent spending, but also provide more than N6bn towards the capital expenditure budget of N7.6bn.

Industrial linkage effects aside, oil has transformed Nigeria's economic potential in terms of foreign exchange earnings, international creditworthiness and Government revenue. At the same time, the authorities have allowed the country to proceed too far along the road towards a mono-economy with all that that implies in terms of undue dependence on one export sector.

The public spending and foreign exchange restraints imposed in 1978 were the direct consequence of the 25 per cent fall in the volume and 17 per cent decline in the value of oil exports that year. By the end of the decade such is the dependence of Nigeria on oil that a leading official, discussing the short-term outlook for the economy, says: "It all depends whether or not there is a Middle East crisis."

Because oil is a wasting asset and because rising domestic fuel consumption will cut into revenues later in the decade, it is essential that Nigeria broadens its export base before 1990. The need to rehabilitate agriculture is underlined by socio-political as well as narrow economic arguments. At independence in 1960, Nigeria was, to all intents and purposes, self-sufficient in foodstuffs. Agriculture contributed two-thirds of GDP, more than 80 per cent of exports and provided a livelihood for upwards of three-quarters of the population.

Reliable statistics simply are not available, but the World

Bank has estimated that agricultural production grew at 1 per cent to 1.5 per cent a year in the 60s and 70s—far slower than the economy itself, which grew at 6 per cent annually in the 1960s and more than 8 per cent a year since 1973—and also well behind the rate of population growth put at between 2.5

breakdown of many marketing and distribution networks.

Relative prices have shifted against agricultural producers, while the younger and more able-bodied element in the labour force is increasingly lured to the bright lights of the cities in search of better paid and more congenial employment.

Public sector investment has tended to be concentrated on the physical and social infrastructure and while agriculture was not totally left out in the cold, by 1978 only 2.5 per cent of

acknowledged that policies for the new programme must not only extend well beyond the allocation of a larger share of the investment cake to agriculture, but also into a different strategy focusing on small scale agriculture.

The case for focusing on rural development is virtually irrefragable, though there are still those who scorn the prospect of a return to the agrarian-based society of colonial times. Politically, it implies greater regional balance in development, the need for which is obvious.



Young people crowd into the cities to seek jobs: the young would-be trader is one of the most common sights in the crowded streets of Lagos Island

per cent and 3 per cent a year. From self-sufficiency in food 20 years ago, Nigeria has moved to a position of undesirably high dependence on imports. Last year, food imports accounted for 17 per cent of the total as against 8 per cent in 1971. In absolute terms this represents an increase from N100m at the start of the decade to N1.1bn in 1979.

One particularly revealing set of figures covering the 1962/75 period shows that the production of only one crop—rice—kept pace with population expansion.

There is no single explanation for this unhappy state of affairs. The Sahelian drought virtually wiped out cattle production, groundnuts, cotton and other crops in north-western Nigeria in 1972-73 and its consequences lasted well into the second half of the decade. The civil war left its own inheritance of rural problems—neglect of the infrastructure, such as feeder roads, and the

investment during the Third Plan period (1975-80) had actually been allocated to agriculture as against 14 per cent to manufacturing, 28 per cent to transport and 11 per cent to education.

Agriculture's projected share during the plan period was higher at 6.5 per cent, but this target was not met, which underlines a further problem—the absorptive capacity of farming. Investment has been restrained to some extent because the managerial skills and expertise so vital to success is not available in anything like the necessary quantity.

If the success of the civilian Government's Green Revolution programme were merely a matter of the re-orientation of public sector investment, then there would be far greater optimism in Nigeria about the prospects for a better balance in growth. Unfortunately, past programmes—such as the military Government's "Operation Feed the Nation"—were failures. Accordingly, it's widely

in social terms the case for rural development is threefold. First, income per head in the rural economy is anything from one-half to one-third of the national average, which means that a sustained improvement in rural living standards would improve the pattern of income distribution.

Secondly, rural development programmes offer the most direct method of improving living standards for the bulk of the community.

Finally, rural-urban drift has brought a host of social problems that would be ameliorated if this could be slowed. It certainly is not going to be reversed. In 1980, 22 per cent of Nigeria's population lived in the two cities with more than half a million people. Today there are nine such cities catering for it is estimated for 57 per cent of the population.

CONTINUED ON
NEXT PAGE

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Policymakers urged to take a different view

AT THE end of a decade in which manufacturing industry failed to reach the admittedly ambitious targets laid down in the development plans, Nigerian policymakers are being urged to change tack in their industrialisation policies.

A very persuasive and tightly-argued paper, prepared for the federal Government by two U.S. economists working under the auspices of the World Bank, argues that existing incentives to industry are at variance with priorities spelt out in various Development Plans.

Thus, industries based on domestic raw materials—agro-allied and export industries—are accorded a high priority in theory but in practice are entitled to low incentives. By contrast, those industries based on imported raw materials are accorded a low priority yet attract "very high" incentives.

The paper, by Trent Bertrand and James Robertson, argues that this has occurred because "paramount attention" has been paid to the objective of increasing industrial activity while insufficient regard has been given to international competitiveness, the resulting cost to the consumer of industrial protection, the drain on Government resources and disincentives for other parts of the economy.

The study of 74 industrial activities in Nigeria concludes that the existing structure of incentives is: ● Biased against agro-allied industries.

● Biased against industries based on mining or forestry.

● Biased against the "few sectors" still able to compete in world markets.

● Biased against industries processing domestic raw materials.

● Biased heavily in favour of industries that process imported raw materials.

● Even more heavily biased in favour of companies assembling imported components for the domestic market.

This amounts to a formidable indictment of existing industrial incentives which include trade restrictions—tariffs and import controls are the most important protective devices applied—special fiscal incentives such as tax relief and concessionary tariffs on imported inputs and, of course, what is widely regarded as an over-valued exchange rate. The exchange rate understates the real cost of imports and militates against export expansion.

The Bertrand/Robertson paper argues that 30 per cent of Nigerian industry would be viable or better off without these incentives, while a further 43 per cent would be "possibly or probably viable" without incentives. The balance of 27 per cent would be non-viable or of doubtful viability were incentives to be scrapped.

The important point, though, is that the industries to benefit from scrapping the present incentives, which implies also devaluation of the Naira, include those with strong linkages to agriculture or involved in processing domestic raw materials. Furthermore, the existing incentives favour consumer goods industries relative to those producing intermediate or capital goods.

They call for a new deal that would bring industrial policy into line with the priorities specified in the Development Plans. They advocate a liberalisation of existing import restrictions and tariffs, which the Government might well accept, allied with devaluation of the Naira which is highly unlikely at a time when exports are surging ahead and external reserves at a record high.

Accepting that devaluation is a non-starter, the paper is likely to have a profound impact on Government economic strategy, because of the devastating way in which it depicts the conflict between the impact of the incentives on the one hand and Government industrial priorities on the other.

T.H.



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VOLVO EXPORT



NEED FOR RURAL DEVELOPMENT, BUT SUCCESS IN DOUBT

"But rural development on its own is no panacea. Nigeria also needs industrialisation and a broadening of its export base to reduce its dependence on oil. Furthermore, because domestic oil consumption is rising rapidly, Nigeria must find a new major foreign exchange earning industry by the 1990s."

CONTINUED FROM PREVIOUS PAGE

There are five prime economic arguments for giving top priority to agricultural growth.

● **Balanced growth.** So great has been the imbalance in Nigerian expansion since the middle-60s that it is clearly vital to tackle the problem of stagnation in the lagging sector—agriculture.

● **Linkages.** Agriculture, and particularly small-scale farming, offers considerable linkage effects—both forward in the form of crop processing and backward in the supply of inputs like fertilizer, farm implements, pesticides and seed.

● **The balance of payments.** Nigeria is currently spending more than N12bn a year on food imports which will rise rapidly over the next decade unless present production trends are reversed. In addition it is vital to widen the export base and reduce dependence on oil.

● **Employment.** Nigeria's population growth rate is a touchy political subject, but the evidence suggests population is rising at between 2.5 per cent and 3 per cent annually, while half of the population is aged under 18. This means that a serious job creation problem is developing which will not be solved by the expansion of urban and industrial employment.

● **Inflation.** In Nigeria, spending on food accounts for about half household expenditure. Food prices rose 500 per cent between 1970 and 1977, as against a 200 per cent increase for other commodity prices, increasing a further 35 per cent between 1977 and 1979. Recently, there have been renewed sharp increases in food prices in urban areas.

While there is near-general agreement on the need for rural development, there is a deep strain of pessimism about the prospects of success. Human resource development and the provision of managerial skills is seen as crucial to the success of the Green Revolution programme, with the Guidelines to the Fourth National Development Plan underlying this point:

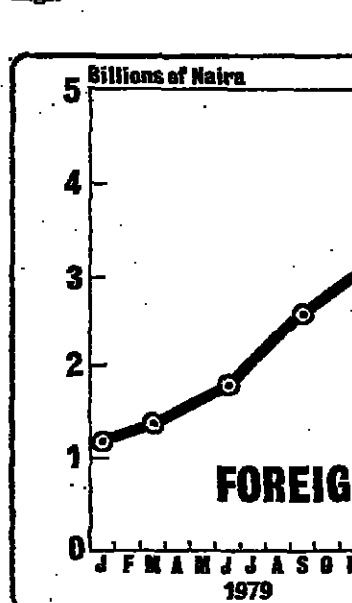
Potential
"Development does not start with goods and things; it starts with people—their re-orientation, organisation and discipline. When the accent of development is on things, all human resources remain latent, untapped potential."

In agriculture, this means spending more on extensions and training and less on large-scale irrigation projects and productive capacity. In addition, Government simply has to boost its managerial and administrative capacity, its decision-making potential, to ensure that investment becomes more productive.

The World Bank reported last year that the capital-output ratio in Nigeria more than doubled from 2.0 in 1974 to 4.5 in 1978, meaning that more than twice as much capital was needed in the latter period to achieve the same increase in production. Small scale investments using more labour and less capital are called for.

At the end of the day, it is

more than just a matter of providing physical ingredients—feeder roads, marketing depots, seed and fertilizer—the vital elements of rural credit, expertise and management must also be available. It is this managerial constraint that threatens to jeopardise the programme rather than physical shortcomings.



But rural development on its own is no panacea. Nigeria also needs industrialisation and a broadening of its export base to reduce its dependence on oil. Furthermore, because domestic oil consumption is rising rapidly, Nigeria must find a new major foreign-exchange earning industry by the 1990s. At present, only about 10 per cent of oil output is being consumed locally, but present projections suggest this ratio will have reached 50 per cent by the early 1990s, with serious adverse implications for foreign currency earnings.

The obvious complement to, and eventual substitute for, oil exports is gas which, with very substantial investment over the next decade could become a major export-earner in the 90s. Today, the balance of payments on current account is determined by three considerations—the level of oil revenues, the level of imports permitted by the authorities and the size of the invisible deficit.

The conventional wisdom embodied in the Fourth Plan is that Nigeria will enjoy a current account surplus throughout the plan period to 1985. This would be the result of continuing import restrictions on the one hand and buoyant oil revenues on the other. The planners are forecasting oil exports in the 1981-82 period of 2.2 mbd (which looks high for the first half of 1981, if not longer). Thereafter, oil exports would fall to 1.94 mbd by 1984-85 in line with both declining production and rising domestic usage. At the current price (US\$37 a barrel), this implies exports of more than N16bn from oil alone in 1981-82—more than 60 per cent higher than in 1979.

But by 1984 oil earnings, at current prices, would fall below N15bn. Given the very strong likelihood of changes in both the oil price and the Naira/U.S. dollar exchange rate, such forward projections are of dubious value. That said, the projections do make the point that

after export growth of 90 per cent between 1974 and 1979 and possibly a further 60 per cent in the 1979-82 period, the visible trade surplus could come under very strong pressure by the middle 1980s.

Indeed, there is at least some evidence to suggest this happening already. Last year, Nigeria had a trade surplus of close on N4bn, but with imports likely to show an increase in excess of 40 per cent in 1980, the trade balance may be slightly lower. Furthermore, in the next two years very rapid import growth is anticipated, given both the high

account in the balance of payments is to stay in the black as forecast in the plan.

Some Lagos bankers and businessmen believe the plan, like its predecessor, is overly optimistic. One merchant bank describes the present payments surplus as "a more or less temporary phenomenon," likely to switch into deficit, or at least decrease appreciably, in the next two years.

Of course, everything depends on oil demand and prices, but the likelihood of falling oil export earnings by 1985 is just one more reason for moving quickly to diversify the export base. This point is underlined further by the World Bank's 1980 World Development Report which predicts that by 1985 the real value of oil export earnings "is likely to be falling" for some countries.

To maintain their growth, the Bank says, some oil exporters will have to borrow more. Because Nigeria is substantially underborrowed—by current Third World standards—it could easily resort to greater foreign borrowing than in the past. But the country's economic managers are extremely conservative on this front. World Bank figures for 1978 show that Nigeria's debt-service ratio was a mere 1.2 per cent of export earnings as against 13.8 per cent for the "average" middle-income developing country.

In the current fiscal year (to December 1980), Nigeria planned to raise N1.1bn in foreign loans, but the bulk of these were to be obtained from the World Bank and other multilateral institutions rather than commercial markets. Government's attitude is that external loans should be long-term in nature and used "only to complement Government resources."

CONTINUED ON NEXT PAGE

Fourth National plan puts emphasis on domestic capital

DEVELOPMENT PLAN

NIGERIA'S FOURTH National Development Plan, covering the 1981-85 period, projects a real growth rate of 8.3 per cent a year, modestly lower than the 10 per cent a year actually achieved in the 1975-79 period.

The highest growth rates are projected for manufacturing and services while agricultural output is again expected to grow more slowly than the economy—at a rate of 5 per cent a year.

The oil sector will grow very slowly—1.5 per cent a year—and by 1985 its share of GDP will have fallen to around 15 per cent from its current 25 per cent.

Details of the plan have still to be finalised and publication is not expected until early next year, but the Plan Guidelines set out the broad framework. These include raising real income per head and improving the pattern of income distribution, reducing unemployment, diversifying the economy, securing more balanced development and increasing participation of Nigerians in the ownership and management of business enterprises.

The bulk of this investment—73 per cent—will be by the public sector with the private sector investing N1.8bn a year. This latter figure looks high by 1975-79 standards, especially as private investment has been slowed to some extent by the indigenisation measures which not only discouraged direct

foreign investment after 1977, in particular, but also siphoned off "new" productive investment by domestic private investors whose savings were channelled into the purchase of shares in the indigenised industries.

In line with the Plan's emphasis on "self-reliance," investment will be largely financed from domestic savings. "Foreign loans and grants will be de-emphasised," according to the Guidelines. In 1978, gross savings were running at 24 per cent of GDP which, if it is maintained, would go most of the way towards funding the proposed level of investment.

This is chiefly a reflection of Government taxation of oil revenues and private savings are likely to remain low though one of the objectives of the plan is to improve the mobilisation of savings, especially in the rural sector.

Because the Fourth Plan is just one of a series of medium-term development plans, its basic objectives are essentially similar to those of previous documents. These include raising real income per head and improving the pattern of income distribution, reducing unemployment, diversifying the economy, securing more balanced development and increasing participation of Nigerians in the ownership and management of business enterprises.

The Fourth Plan however adds five new objectives which reflect the consequences of unbalanced growth in the 1970s. Thus, the plan repeatedly emphasises the need for greater self-reliance and reduced depen-

dence on the external sector. It calls for the development of technology and reduction in rural-urban drift. Recognising the human problem restraining development in Nigeria, the plan lists as one of its objectives: "The promotion of a new national orientation conducive to greater discipline, better attitude to work and cleaner environment."

An important difference between the Third and Fourth Plans is that, despite the oil wealth, Nigerian planners expect to enter the 80s with "much" slimmer financial resources than have been used to. This, the Guidelines say, calls for a "drastic modification" of development strategy, specially in the way of increased self-reliance and reduced dependence on oil.

Involving people

Previous plans have provided the necessary physical infrastructure for development and it is now necessary to "mobilise the masses," directly involving people, rather than things, in the development process.

Cost consciousness is emphasised too. Planners are enjoined to "think small" rather than in terms of grandiose projects. Existing project designs and plans should be used where possible to minimise consultancy fees and effort should be geared towards what are termed "simple, functional and economic projects" that can be executed using direct labour and local resources.

The sectoral breakdown of the investment programme is still

being evolved, but first priority will definitely be agricultural production and processing "for the simple reason that this is the sector that is likely to contribute most towards the achievement of self-reliance."

Second priority will be further strengthening of the physical infrastructure—power, water and telecommunications—which is currently inhibiting growth. Investment in roads and air transport will have a materially lower priority than previously, but increased attention will be paid to maintaining road networks and developing secondary and tertiary communications. Emphasis will shift to the railways which the Guidelines see as "a weak link."

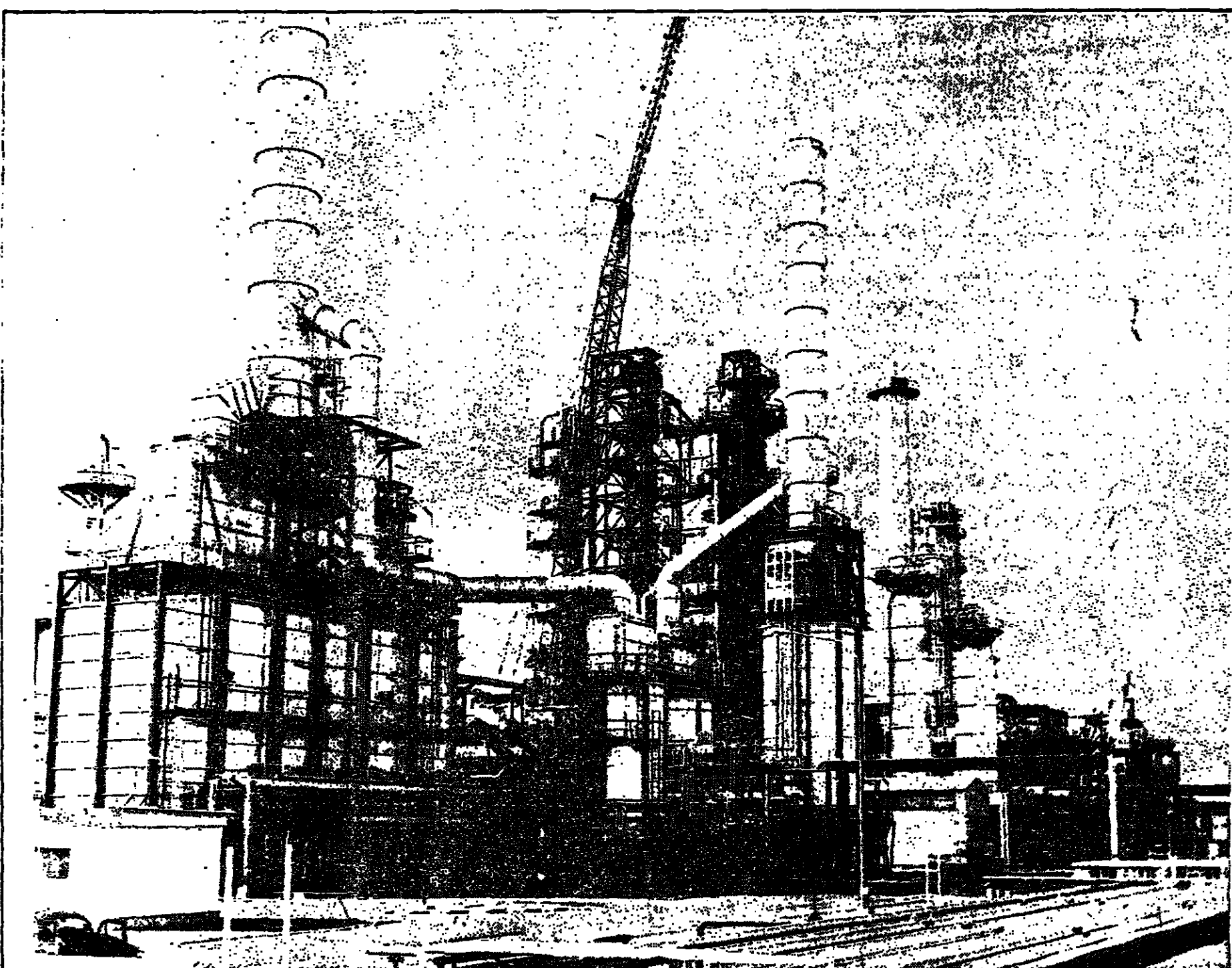
Indicative of the plan's commitment to development—rather than growth—is the promise to measure its achievements not simply in terms of economic aggregates but also in respect of its impact on the quality of life.

"The common man is more interested in such things as the availability of drinking water, housing units, medical facilities, good roads, life expectancy, educational facilities, calorie intake, etc.," the Guidelines say.

Accordingly, in the next plan period, agencies will be required to establish "physical targets" against which subsequent performance can be measured.

This itself is a recognition of the need to switch away from investment in physical infrastructure alone and to emphasise the impact of Government activity on the man in the street, or more particularly, the man in the village.

T.H.



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NIGERIA VI

INDUSTRIAL POLICY MAY HAVE TO BE REVISED

"Britain, with exports to Nigeria of N1.55bn in 1978 and West Germany (exports of N1.4bn) are the country's main suppliers, both having trade surpluses with Nigeria in excess of N1bn.... Although Britain remains Nigeria's main supplier, her market share in 1978 was down to 18.5 per cent from 30 per cent in 1970."

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There is no enthusiasm at all for a repeat of the 1978 experience when \$1.75bn was raised in two jumbo Euro-credits. However, smaller borrowings to finance specific projects are taking place. Large-scale balance of payments loans are seen by Nigeria as evidence of economic weakness, of dependence on outsiders, which Nigerians do not like, and as evidence of economic mismanagement.

On the trade front, there is a case not only for diversifying the export base but also for changing the direction of trade. The country is currently locked into the North-South trading pattern with a vengeance, with both trade and investment links heavily concentrated with OECD countries.

In 1978, 77 per cent of Nigeria's exports went to OECD countries and the ratio was almost certainly much higher last year due to the higher oil price, while 90 per cent of imports are purchased from the industrial economies. The U.S. is Nigeria's main trading partner with a trade deficit of almost N2bn in 1978 which is estimated to have more than doubled to above N4bn last year, reflecting the higher price of oil.

Britain, with exports to Nigeria of N1.55bn in 1978 and West Germany (exports of N1.4bn) are the country's main suppliers, both having 1978 trade surpluses with Nigeria in excess of N1bn. Nigeria also has a substantial trade deficit (N900,000) with Japan as its exports to that country are negligible.

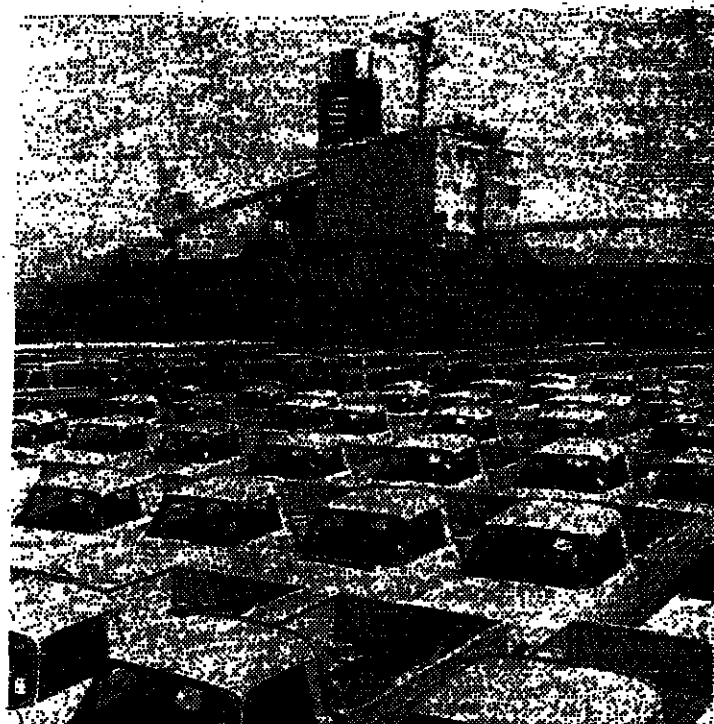
Trade with the rest of Africa

is tiny—exports of N168m and imports of N63m in 1978—but Ministers say interest in Nigeria from South-East Asia is on the increase both in terms of trade and direct investment. Although Britain remains Nigeria's main supplier, her market share in 1978 was down to 18.5 per cent from 30 per cent in 1970.

Diversification of the productive base in the form of import-substitution and industrialisation has been disappointing in two main respects. First, although manufacturing grew faster than GDP during the 70s so that its share in GDP rose from 6 per cent in 1970 to 7 per cent in 1979. This was slower than forecast in the Third Plan, which projected growth of 13 per cent a year. The actual performance was nearer 13 per cent a year.

More important though than the shortfall in the rate of expansion was manufacturing's failure to extend its linkages with the rest of the economy. Value-added, as a percentage of gross output in manufacturing, remained at 47 per cent through the boom period. Obviously, the higher the value-added share the better, and the Fourth Plan projects an increase in value-added to 55 per cent by 1985, though if this is to happen, industrial policy may well have to be revised.

The pattern of Nigerian imports, suggesting that less than 25 per cent represents consumer goods (excluding food, which is a further 17 per cent), implies far greater self-reliance than is the reality. The fact is that industry is heavily biased towards local assembly of imported parts or local processing of imported materials. This in turn helps explain the low value-added



Although Britain is the country's main supplier of goods, cars and trucks from France are the most popular in Nigeria. Here, Peugeot trucks are unloaded at Tin Can Island Port, near Lagos.

content.

Employment data is sketchy. The World Bank estimates the labour force at 54 per cent of the population, which would imply a labour potential of some 45m people. On the Bank's figures, the ratio of employment in farming is now down to 56 per cent from 70 per cent 10 years ago while industry's share has increased from 10 to 17 per cent and the share of services from 19 to 27 per cent.

That Nigeria faces a formidable employment generation problem over the next 20 years is obvious. By the turn of the century, its population will have risen to 150m on World Bank estimates with the labour force growing at 2.9 per cent a year, implying that even at the

present time, about 1m job-seekers are coming on to the labour market each year. It is here that Nigeria's vast "informal" sector or "irregular" economy is making an immense, if immeasurable contribution in providing a living for thousands, possibly even millions—of people who would otherwise constitute a potentially destabilising army of urban unemployed.

Budgetary policy is closely aligned with oil revenues. In 1966, government spending totalled N491m, or 16 per cent of GDP, while revenue was a mere N390m, or 10 per cent of GDP. More than 70 per cent of this revenue took the form of customs and excise duties with

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Short-term future disconcerting

OUTLOOK

THE PARALLELS between the autumn of 1977 and that of 1980 are sufficiently close to make for caution in assessing the short-term outlook for the Nigerian economy. Then, the economy was expanding very rapidly, at more than 12 per cent in terms, as a result of the 1973-74 oil price surge, substantially increasing public spending and sharply rising imports.

But because Nigeria had raised the price of its oil by 2 per cent in April 1977, when it should probably have cut it, oil exports tumbled 16 per cent from more than N7bn in 1977 to N5.9bn in 1978. As this happened at a time when imports were growing at 40 per cent, the impact on both Government revenue and the external account was severe.

The net result was a series of deflationary measures from which the Nigerian economy has only recently started to emerge.

While it would be wrong to suggest that a similar unhappy sequence of events is necessarily at hand again in 1980-81, there are some disconcerting economic straws in the wind necessitating a cautious approach to oil marketing policy in particular by the Nigerians.

On the surface, all is well. The economy is growing at an estimated 8 per cent to 9 per cent in real terms this year after 10 per cent real expansion last year. Growth has been inhibited to some extent by delays in approving the March 1980 budget which slowed down the rate of public expenditure in the first eight months of the year, but this should pick up progressively in the final quarter.

Successful

On the whole, the medium-term stabilisation policies designed to correct the balance of payments deficit of N1.3bn in 1978 (N2.4bn on current account) and to slow inflation, have worked, and in the March 1980 budget, import curbs were liberalised to some degree and a measure of reflation—namely public spending—permitted.

The robust current account position is evident in the build-up of external reserves from N2.7bn a year ago to N4.8bn at the end of August and forecast to break the N5bn barrier by Christmas. And yet, the worrying straws are certainly there.

For a start, imports have risen steeply and this is important—even before the enhanced level of public spending starts to show in the balance of payments figures. According to Mr. Ols Vincent, Governor of the Central Bank of Nigeria, the outflow of foreign exchange (imports and invisible payments) is averaging more than N1bn a month, which compares with an import bill, a year ago, N500,000 monthly. Export earnings, before the oil downturn, which only started to show in July, were running at N1.15bn monthly, implying a current surplus of more than N100,000 a month.

The worry is that export earnings will not be maintained at these levels because of the drastic weakening in the oil market. Early last year, after the Iranian revolution, the market for the "sweet" crudes—

from the North Sea and three major African producers, Libya, Algeria and Nigeria—was running at around 7.5m barrels a day (MBD). Today, reflecting the fall in demand and the fact that heavy crudes from the Gulf, which are some 35 a barrel cheaper, can be substituted for the "sweets", the market is estimated to be down to 6.3 mbd.

With the North Sea and smaller African producers able to hold on to their markets, the impact of this fall in demand is being shouldered by the three major African producers. In 1977, when Nigeria played its cards badly in overpricing its oil just as the market was turning sour, it bore the brunt of the market decline, setting off the chain-reaction of events that lasted through until 1979-1980. The Nigerians are unlikely to repeat this mistake.

In recent weeks, exports have started to decline significantly in response to market forces. Production in August at 2,045,000 barrels a day was 150,000 bd below the "norm" of 2.2m bd and this decline was extended to 300,000 bd by early September, implying a 13 per cent reduction.

Whether Nigeria will cut its price to try to halt the fall-off in exports remains to be seen but the oil market outlook—at least for the next six to nine months—is hardly encouraging.

Even if exports were to fall as far as 1.75m bd (from a norm of 2m bd), oil revenues at current prices would still be materially higher than in 1979,

but the coincidence of sharply rising outflows on current account (partly imports and partly the running down of the backlog in debt payments, corporate remittances and so on) and falling oil income could push the balance of payments into temporary deficit again next year.

Even with imports at their higher levels Nigeria still has reserves to cover between five and six months of outflows. But if the oil downturn is at all prolonged, these expansionist policies and import liberalisation plans may have to be moderated both because of the balance of payments constraint and the federal budgetary situation.

Taking the strain

The short-term requirement is for Nigeria to ensure that its light crudes do not become overpriced relative to those exported by Algeria and Libya. At the same time, the authorities are anxious to keep the import tap open and allow the reserves to take the strain as this will help to curb inflationary pressures which are currently on the increase. In addition, import curbs would inhibit the public spending programme.

Estimates of real growth rates are highly speculative, partly because of scepticism about the inflation figures but also because of the massive revisions to the national accounts that take place from time to time. Thus, the 1979/80 GDP figure, at current prices, is now being estimated at more than N48bn as

against the previous estimate, only a few months ago, of N32bn—a 50 per cent discrepancy. That said, the revised figures suggest real GDP has been growing at almost 10 per cent a year since 1974. In per capita terms this means a 45 per cent rise in average real incomes since the oil boom.

High growth rates should be maintained in the next two years, though much will depend on the duration of weak oil markets.

Given Nigeria's dependence on oil exports and its strong external reserve position, it is easy to understand official opposition to suggestions that the admittedly overvalued Naira be devalued. In the past three years the Naira has moved up some 20 per cent in terms of the U.S. dollar, and the Nigeria authorities appear to be linking their currency—informally—with the pound.

No one really doubts that the Naira is overvalued, but it is hard indeed to make a convincing case for devaluation when oil exports, dominated in U.S. dollars, account for 95 per cent of foreign earnings.

In any event, it can be argued that the exchange rate helps to moderate inflation and while there is a strong theoretical case for devaluing to help agricultural exports, there is no point in contemplating such a policy unless or until the export base—manufacturing as well as agricultural—has been broadened sufficiently to benefit from a more competitive parity. T.H.

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مكتبة النهر

NIGERIA VII

ECONOMY

PATTERN OF GROWTH ALL-IMPORTANT IN THE 1980s

'Looking ahead, Nigeria needs to widen its revenue base partly to reduce the economy's "stop-go" element but also in anticipation of falling oil output in the late 1980s.'

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direct taxes providing only N35m.

This year, thanks to the oil funds, government expenditure will exceed 30 per cent of GDP, with 83 per cent of revenue being derived from oil. Indeed, the State takes more than 99 per cent of oil company revenues.

Although recurrent spending by the federal Government has increased almost four-fold since 1975, there has still been a very large revenue surplus used for capital expenditure. In the 1980 fiscal period (which is only nine months due to the change in the Government's final year-end from March to December) there is a revenue surplus of some N5.3bn which will finance 70 per cent of projected capital spending of N7.6bn.

In fact, because the budget was only approved by the Assembly at the end of June, State spending in 1980 will fall well behind target so that Nigeria is unlikely to need the N1.1bn of foreign borrowing forecast in the budget estimates.

Clearly such dependence on oil revenue has severe disadvantages. When the oil market softens—as is the case at present—there is a direct impact on federally-collected revenue which necessitates public spending cuts. Certainly this is what happened in 1978, after the 1977 fall in oil demand.

Looking ahead, Nigeria needs to widen its revenue base partly to reduce this "stop-go" element but also in anticipation of falling oil output in the late 1980s.

The disparity between capital and recurrent spending (roughly two-thirds capital to one-third recurrent) raises the spectre of "underfinancing"—that is inadequate current spending on the maintenance of capital equipment and public infrastructure.

In many developing countries and not just in Nigeria—this is a very real problem and the productivity of Government investment is jeopardised by this failure to provide enough for operation and maintenance.

In Nigeria this problem is a by-product of the very substantial capital investment by the Government in the 1970s—poorly maintained roads, the

very short life of transport equipment and insufficient spending on agricultural extensions, are all symptoms of the underfinancing disease.

Although the stabilisation programme introduced by the military Government in 1978 has largely paid off—reserves are at a record high, Government revenue is buoyant, money supply growth has slowed and the balance of payments is strongly in surplus—inflation remains a very serious problem.

The surge in oil prices in 1973-74 pushed inflation to 35 per cent in 1975, since when it has declined progressively to 22 per cent in 1976, 16 per cent in 1977 and 11.7 per cent last year. By March this year, the composite (rural as well as urban) consumer price index was showing a year-on-year rate of only 5.6 per cent, though the urban index was running at more than 12 per cent.

Food prices have risen very sharply in recent months and over the year the inflation rate is likely to remain in double figures and to be pointing upwards again in 1981. The most obvious explanation is supply shortages—food, accommodation, household goods—though there are signs that the wage restraint policy of the previous Government, which helped to keep cost pressures in check, is becoming increasingly ineffective following the lifting of the wage freeze in April and its replacement by

guidelines designed to link pay increases to productivity improvements — itself an impossibility given the paucity of statistical data.

Businessmen are openly sceptical of the official inflation figures which, they believe, grossly understate the real rate of price increases. At the same time, the impossibility of accurately measuring inflation in an economy that is so compartmentalised should not be overlooked.

It simply is not possible to measure a single rate of inflation that reflects conditions in the urban and rural economies and that takes account of very different forces at work at low and middle income levels.

In addition, because official price gathering is based on factory-gate prices rather than the amount actually being charged by the traders, the official rate almost certainly understates the real rate by a significant margin.

A national minimum wage of N100 was announced in April this year, but many workers, especially in agriculture and those employed by the state governments, are settling less. The unions, for their part, are pushing for an N300 per month minimum, which makes no sense at all given the unemployment problem and the fact that per capita income is, at the most, N550 per annum.

The Central Bank Governor, Mr. Olu Vincent, has spoken out strongly against wage minima, warning not only of the inflationary implications but also the ramifications for employment in

general and agricultural employment in particular, not to mention rural-urban drift.

Given the trade-off between higher wages and increased employment, relative wage stability is essential. But this is both politically and economically a difficult task when inflation is averaging 20 per cent a year as it has in urban areas since 1975.

That said, anti-inflation programmes will be maintained in the 1980s, though the evidence suggests that the most effective single way of bringing down the inflation rate would be by increasing food supplies.

For the foreseeable future, the Nigerian economy will remain at the mercy of supply and demand forces in the world oil markets. According to the World Bank, oil exporters can expect buoyant conditions throughout the 1980s but "they must invest their oil revenues productively in the early part of the decade and ensure that efficient production is encouraged in non-oil as well as oil sectors of the economy" the 1980 World Development report says.

It is widely accepted that investment in physical development is not going to pay off if the human factor is neglected. Secondly, and this is probably the most crucial constraint on the economy today, management skills and expertise must be developed on a far greater scale than in the past, even if this means reliance on expatriates in conflict with the indigenisation decrees.

What is at stake in Nigeria in the next decade is not whether strong growth will be achieved—it certainly will—but the pattern of that growth. Will growth become developmental in the full meaning of the word, extending down to the poorest sections of the community in remote rural areas and diversifying the productive and export base against the time when oil revenues start to sag? Alternatively, will policy reinforce the natural market forces making for an urban-biased mono-economy?

The policies espoused by the Government look to be the right ones, but this was also the case, albeit less obviously, five years ago. In the 1980s, it is not a matter only of getting the policy right, but of implementing it efficiently and effectively and it is in this context that management's role is crucial.



Alcohol for sale in a Lagos street

Champagne takes a perilous trail through the other economy

BLACK MARKET

THE WOMAN who kept the market stall gave a conspiratorial nod. "Wait," she said curtly and vanished into a nearby house. Minutes later she re-emerged clutching a brown paper bag with something inside. "Champagne," she hissed furtively and lowered one corner of the bag to reveal a bottle of cheap, sweet, sparkling wine. It was just bad luck not to find real Champagne because the teeming markets of Lagos or the myriad road-side stalls which specialise in alcohol can usually provide it — priced Naira 28 a bottle. The stranger to Nigeria might think there is little remarkable about that — apart from the cost—but Cham-

pagne has been a banned import in Nigeria since 1977.

Along with other banned goods, the Champagne now takes the sometimes perilous black market trail along the road from the neighbouring republic of Benin or by boat from anywhere along the coast. The amount of goods travelling into the country is unquantifiable but vast. The damage it does to the Nigerian economy is clear.

Much of Nigeria's groundnut crop disappears across the border into Niger in exchange for CFA francs or goods. The road vanishes into Benin which, although not a producer of cocoa, is an exporter. In return, come lace, shoes, and alcohol from abroad.

The lace market has undermined the domestic textile industry, according to the manufacturers. The same is true of the shoe industry, which admits it cannot compete for quality with the imports from Italy and Spain but adds that Nigeria's

high domestic production costs make imports far more competitive.

Cigarette companies estimate that about 400m cigarettes a month are smuggled into the country, accounting for about a third of the total monthly consumption. They are particularly bitter because they say that their international brands, which contain 88 per cent imported tobacco, are better than the illegal imports — most of which come from Britain — because they are fresher.

Corruption

Evidently, the black market depends on corruption for its survival. The tobacco manufacturers say Nigeria provides that corruption on a grand scale. One said: "If you're smuggling 400m cigarettes a month you can't do it in dribs and drabs across the border. You would have to do it in containers through the Apapa docks. For that you need the help of customs officers."

If at one end the black market relies on large scale imports, on the distributive side it depends on the thousands of small scale street traders who line the streets of Lagos like flags on Coronation Day. They occupy every available inch of pavement, build tin shops at every construction site or stand on streets waiting for traffic jams so they can sell through car windows.

"In Nigeria if we have one item we consume it. If we have two, we trade," said a Nigerian with a wry smile. If you have several hundred items, you set out for one of the giant markets throughout Nigeria, each one resembling Ali Baba's cave.

In Lagos there is Jankara where its wealth of electrical goods, odds and ends, and meat so fresh it is still warm, cover any illegal imports with a thousand other objects. Or there is Balogun, a mass of winding streets where princely piles of baked beans, sardines and milk are zealously guarded by the regal "Market Mummies", the roly-poly trading ladies famous throughout West Africa.

DC 10 for sale

Outside Lagos is the grandly named New Alaba International Market — better known as Thieves Market — with its millions of naira worth of stereo equipment, radios and other electrical goods. Across the road is a ramshackle junk market where, rumour has it, there was once a DC10 engine for sale.

A remarkable feature of the black market is its excellent word-of-mouth intelligence. Throughout Lagos the roadside stall price for a bottle of smuggled gin is Naira 7—half the supermarket price. Only on the beach where the sellers walk their beat with the bottles on their heads does it come any cheaper.

To service the black market in goods, the foreign exchange market operates at a pace which might impress the most hard-bitten foreign exchange dealer. Any West African currency is available from the "banks" in the northern markets at a level which is fixed daily.

In the south, the dealers congregate outside the Bristol Hotel in Lagos bustling foreigners and offering the going rate—now around Naira 2 to the pound sterling, instead of the official rate of Naira 1.2 to the pound. Although illegal, the trade carries on quite openly.

But the Lagos market doesn't end there. Even the super-markets are getting in on the act. Cheese, which has not been seen in Lagos shops for some months, is available under the counter at the CFAO (Compagnie Française de l'Afrique de l'Ouest). With a pass from a salesman, the lucky customer can buy himself a whole Camembert for a give-away Naira 5.

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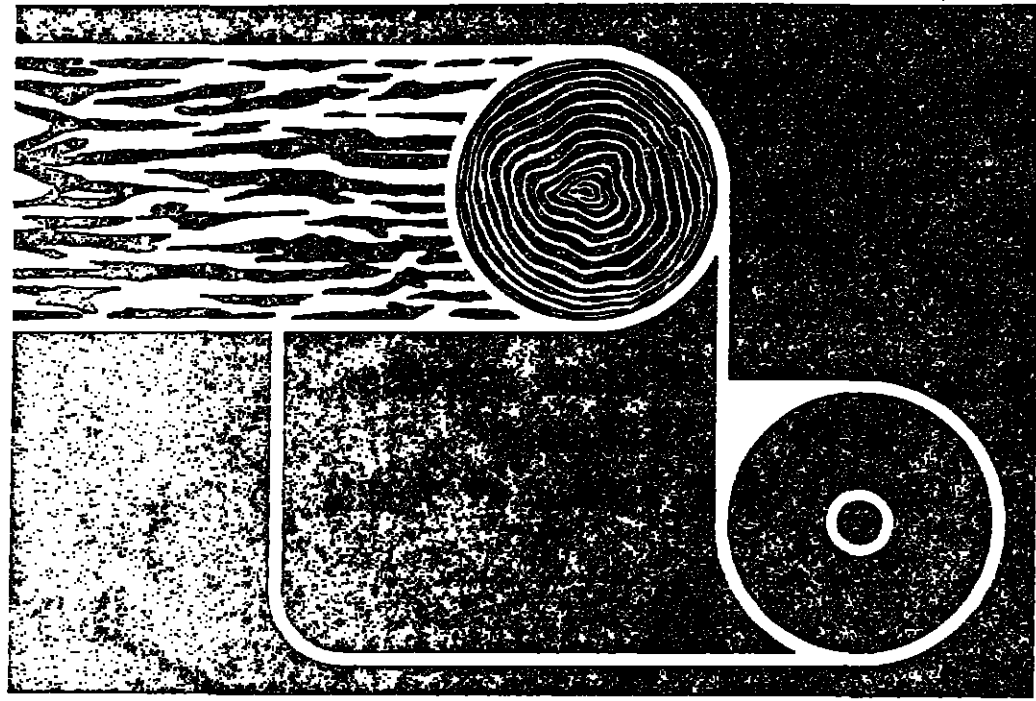
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NIGERIA VIII

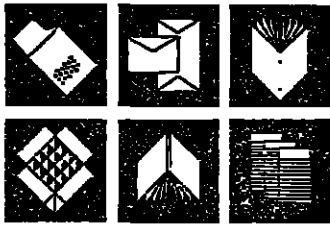
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The sign of a new era

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A shadow is beginning to lift from the Nigerian oil industry after enveloping it for almost a year in an ugly atmosphere of a political witch hunt. The shadow was that cast by the so-called "Oilgate" scandal—the allegation that N2.8bn had gone missing from the accounts of the State oil company, the Nigerian National Petroleum Corporation (NNPC). It began to lift in August when a judicial tribunal set up to investigate the claim pronounced it to be "a storm in the teacup and the greatest hoax of all time."

OIL

THE GOVERNMENT hopes that the issue is now dead, but even if this proves the case the "scandal that never was" will still have left some nasty scars on the oil industry.

It has delivered a crushing blow to the morale of the NNPC, whose chairman and managing director were suspended during the investigation and which was heavily criticised in the tribunal's report. The NNPC, never the most dynamic of organisations, became even more indecisive during Oilgate.

The inquiry has also hit the three largest international oil companies operating in Nigeria—Shell, Gulf and Mobil—even though they had done nothing wrong.

In a highly unusual and controversial ruling, the Oilgate tribunal said that the three must surrender millions of barrels of their own oil to the State over the next few years. Coming just a year after the nationalisation of British Petroleum by the former military Government, the ruling will have sent shivers down corporate spines.

But although the international companies have been caught in the Oilgate crossfire, the tribunal's recommendation does not herald a Nigerian drive against the multinationals. On the contrary, the Government of President Shagari is keen to attract foreign investment and appears to have been at pains to minimise the damage caused by the tribunal's embarrassing decision.

Whatever else it may have done, the inquiry has pointed up afresh the crucial role the oil industry plays in sustaining the Nigerian economy. State oil earnings this year are likely to be in excess of \$25bn, providing some 85 per cent of federal revenues and 30 per cent of GDP.

Oil was first discovered in commercial quantities in 1956 by Shell-BP in what is now Rivers state and Nigeria's first com-

mercial shipment of crude was made in February 1958—with a production level running at about 5,000 barrels a day.

The pivotal role oil has come to play in the country's economic development was amply demonstrated in 1978 when the Government's poor crude pricing policy led to a slump in production, a drastic decline in federal revenue and foreign exchange, and an economy in recession.

This traumatic chain of events was set in motion in 1977 when the Government allowed Nigerian oil to get out on a pricing limb, making it uncompetitive with similar light crudes from Libya and Algeria. The mistake was compounded by the fact that the international market was weakening as more light crudes became available from the North Sea, Alaska and Mexico.

The upshot was that Nigeria's third party customers melted away and production slumped to 1.52m b/d in March 1978, down 32 per cent on a year earlier. Price reductions eventually made output bounce back up, and by January of last year it had reached a record level of 2.44m b/d as the Government, anxious to maximise its revenues, encouraged companies to produce at the limit.

Cutback

In July last year the Government ordered production to be cut back to 2.2m b/d for "technical reasons"—partly because a higher level of output might have damaged reservoirs—and it remained at that level for a year.

However, the value of the oil has soared. The energy supply scare of 1979, following the Iranian revolution, saw a 113 per cent rise in the price of Nigeria's Bonny Light crude and there was a further 23 per cent increase in the first half of this year. As of July 1, the official selling price of the country's leading crudes was \$37 a barrel.

Now, however, the pendulum is swinging back the other way as worldwide recession cuts the demand for oil and a supply glut has emerged.

In August, Nigeria began to trim its production. If the glut continues the Government will be faced with a decision on whether to cut production still further, or prices, or both. Whatever is decided, the country seems unlikely to repeat its pricing mistake of 1978.

The Shagari Government, like its military predecessor, has shown itself to be a price follower rather than a price setter among the OPEC nations, generally copying the lead set by hawkish Algeria and Libya.

It has also been reasonably cautious in its marketing policy. Nigeria's largest single market remains the U.S., which took 40 per cent of its output last year. Europe accounted for 43 per cent, with 5 per cent going to West African states and 12.5 per cent elsewhere.

However, during the past year, Nigeria has increased its Government-to-Government oil deals (as have other OPEC members) and these may now account for some 200,000 b/d of output. The Shagari administration remains keen to diversify its customers, a policy which has led to a cut in the amount of oil the companies operating in Nigeria can buy back from the NNPC.

Although cautious in their marketing and pricing policies, successive Nigerian Governments have moved boldly dur-

ing the past decade to "indigenise" the structure of the oil sector—part of an across the board move to ensure that Nigerian industry is in Nigerian hands.

The first steps were the Government's acquisition of 35 per cent of the equity of oil producing companies in 1973 and a further 20 per cent the following year. On July 1, 1979, the NNPC's stake in the foreign companies was increased by 5 per cent, making 60 per cent in all.

Indigenisation was supposed to stop there, but in the case of Shell-BP, the largest producing company, there was a further shock to come: on August 1 last year the military Government nationalised BP's 20 per cent stake in the NNPC's Shell-BP joint venture.

The move followed two brushes between the company and the Government over links with South Africa. The first was when a tanker called the Kulu, indirectly owned by South

tribunal came to its conclusion it is necessary to look at the relationship between the NNPC and the main foreign oil companies operating in Nigeria.

The NNPC is a joint venture partner with each of these companies, and this entitles it to a proportion of their production equivalent to its equity stake—currently 80 per cent in the case of Shell and 60 per cent for Gulf and Mobil.

During the 1978 oil glut and similar periods stretching back to 1975, the NNPC was unable to sell all its planned entitlement at the price it was asking. The shortfall, so-called "deemed oil," remained in the ground.

The Government, anxious to keep its revenue as high as possible, encouraged the international companies to continue taking their planned entitlement, thereby significantly departing from the equity proportions.

The Oilgate tribunal's sur-

with the NNPC, even though these were unsigned.

(The main reason the agreements had not been signed was that the NNPC had introduced changes in a previously agreed financial framework. If the documents had been signed, the documents would probably have been protected from the tribunal's verdict.)

The companies also complain that they were not invited to explain the concept of "deemed oil" when they appeared before the tribunal. And they fear that the ruling will be twisted to suggest erroneously that they have been cheating Nigeria.

If anything, the opposite is the case: continuing high production by the three companies between 1975 and 1978 helped boost Nigeria's foreign exchange reserves at a time when its Treasury was impecunious. It hardly seems just that the companies should be punished now for the NNPC's failure to ask the right price for its oil.

But international oil companies are always likely to find themselves in the political firing line in Nigeria. It is one of the prices they accept for operating in the country.

Nigerians are extremely sensitive about the operations of such a vital sector as oil being largely in foreign hands (even though 85 per cent of the oil companies' employees are Nigerian) and easy political capital can be made out of attacks on multinationals.

Members of the Oilgate tribunal were noticeably harsh in their cross examination of witnesses from the foreign companies. And in its final report the tribunal complained that international company representatives "larded it" over Government agents at Nigeria's crude export terminals.

The companies are also facing criticism from a fresh quarter—over oil spillages. A major offshore blow-out by Texaco last January polluted stretches of the Rivers state coastline and its angry inhabitants have been up in arms, calling for compensation. Similar demands look like becoming a popular political rallying cry in the oil-producing states.

Incentives

Overall, however, the effect of the Oilgate report on international interests in Nigeria is likely to be small. Shell, Mobil and Gulf will shrug and bear their loss of crude. Companies considering entering Nigeria may think twice, but their final decision is more likely to be affected by the exploration incentives offered by the Government.

The Government introduced a new package of incentives in April 1977, including pre-production tax relief, lower offshore royalties and improved amortisation schedules. At the same time, the profit margin which companies are allowed on their equity crude was increased to 80 cents a barrel. The package produced results. The number of exploration rigs operating in the country gradually increased and now stands at more than 20.

But the operators are now arguing that the 80 cents a barrel profit margin is insufficient, having been eaten away by inflation over the past three years. The feeling seems to be shared by some officials at the NNPC, where there has been discussion about raising the margin to more than a dollar. But this decision, like many others, was shelved during Oilgate.

Less successful was the NNPC's offer last year of 72 blocks for exploration—offshore, in the Niger delta and up country, representing almost all the country's untapped acreage. Although there was widespread interest in the licensing round, only 11 blocks were taken up, and by just three companies: Agip, Elf and Nigus, a joint venture between Crown Central

CONTINUED ON
NEXT PAGE



Drilling for oil off Port Harcourt: State oil earnings are likely to be in excess of \$25bn this year, providing around 85 per cent of federal reserves and 30 per cent of GDP

Africans through a Bahamas-based company, called into Nigeria to take on oil for BP.

The strongly anti-apartheid Lagos Government, which had embargoed sales of its oil to South Africa, was furious and cancelled BP's entitlement to 100,000 b/d of crude purchases from the NNPC.

The second incident was when the British Government approved a BP request for the company to sell more North Sea oil to Europe, in turn releasing crude from non-embargoed sources for sale to South Africa.

Announcing the nationalisation of BP, the Nigerian Government claimed that this swap deal was "mere subterfuge" for selling Nigerian oil to South Africa. However, the timing of the Nigerian move suggests that political considerations were equally important as any perceived BP sins: nationalisation was announced on the eve of the Lusaka Commonwealth Conference, when Nigeria was trying to exert pressure on Britain over its Rhodesia policy.

The move against BP was a major shock to the oil industry. But no sooner had it recovered from this than along came the Oilgate tribunal, with its controversial recommendations on Shell, Gulf and Mobil's interests. To understand how the

prise ruling was that the three majors should surrender to the NNPC the shortfall which the corporation had been unable to produce in those years, estimated at 183m barrels of "deemed oil."

Within the oil industry, the verdict was widely regarded as a mistaken interpretation of joint venture agreements, resulting from the fact that no members of the tribunal had first-hand knowledge of the workings of the sector.

The ruling certainly seemed to embarrass the Government. But faced with a supercharged political atmosphere, President Shagari could not afford to brush the tribunal's verdict aside.

Instead, the Government tried to minimise the damage by watering down the recommendation: calculations of the amount of oil to be surrendered by the three companies to the NNPC will be based on the actual level of production at the time—which works out at about 80m barrels—rather than the planned level of production from which the tribunal derived its 183m barrel figure.

The oil companies remain understandably annoyed about the move. It is retroactive and totally at variance with the participation agreements they had

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End product: Fuel, as in a Naira a gallon, is one of the oil products in Nigeria. Rising internal demand will mean more refineries and storage tanks and a big job for the country.

A rocky road to recovery

COAL

COAL, WHICH once made Nigeria's railways run and its power cables hum, has become the poor relation of the energy scene since the discovery of oil in the 1950s.

A programme has been launched to restore the industry, to some of its former glory, but this has been far from trouble-free. Modern equipment put into the country's two deep mines is suffering from teething troubles and, even when these are solved, the State-run Nigerian Coal Corporation could face major difficulties in marketing its rising production.

Coal was discovered in Nigeria in 1809 in what is now Anambra state. Mining began during the following decade, giving birth to the town of Enugu, which is still the centre of the industry and the headquarters of the Coal Corporation.

The industry reached its zenith in the 1950s when production came close to 1m tonnes a year (admittedly minute by world standards). But in the 1960s it was dealt two heavy blows.

The first was a loss of markets when the railways switched to diesel engines and the electricity industry moved to oil-fired thermal plants and hydro-electric generation. The second was the civil war of 1967-70. The coal mines, which lay within the secessionist State of Biafra, closed down and ceased.

Recovery after the war was fairly rapid, with production rising from 25,000 tonnes in 1970-71 to 335,000 by 1975-76. Since then, it has been on a downward slide, falling to 200,000 tonnes a year with 1978-79 production totalling 104,000 tonnes.

But the coal industry's future only took on a brighter appearance when the federal Government decided on a major renovation and expansion programme as part of its 1975-80 development plan.

Under this scheme, the two deep mines still operating in the Enugu area—Onyema and Okpara—have been equipped with equipment for four mechanised longwalls. The work, carried out by Kopek, the Polish State mining company at a cost of N20m, was completed last year.

However, the equipment has not been working properly and Kopek has had to send a team back to Nigeria to try to put things right.

The development programme also included the construction of a washery, to remove dirt from the coal. Also undertaken by Kopek, this N13.7m plant was completed last year. It is capable of handling 250 tonnes an hour.



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The Corporation would like to produce 500,000 tonnes a year from Okaba by 1985, together with nearly 2m tonnes from the Enugu deep mines. But this target, ambitious at the best of times, looks increasingly unrealistic in view of the mechanical problems and a weak market.

When the modernisation programme began in 1975, the Government foresaw Nigerian coal serving four main new markets, none of which has yet materialised or looks likely to in the immediate future.

The first was for the Corporation to supply coal to the major iron and steel works planned at Ajaokuta. However, Nigeria's sub-bituminous coal is more suited to steam raising than the production of coke used in steel-making and it will have to be blended with imported coal when Ajaokuta finally comes on stream.

The second market was to have been Nigeria's cement industry, but at present only one plant—Nigercem's Nkalagu factory—is using coal.

The third potential market—and still the Corporation's major hope—is the electricity industry.

The Nigerian Electrical Power Authority (NEPA) is considering a partial return to coal-firing—possibly building a new station or expanding the existing coal-fired station at Oji, in Anambra state. The Coal Corporation hopes that NEPA might eventually take 1m tonnes a year—but the new plant has yet to be approved and built.

The fourth potential market—exports—also involves difficulties. Nigeria's coal exports at the moment are virtually non-existent, partly because ore-handling facilities at Port Harcourt are inadequate. The Coal Corporation is hoping that the construction of a new harbour at Onne, near Port Harcourt, will boost its export potential. But Nigeria will still have to find a market for its output at the right price.

All this means that the future of the industry, which employs 3,200 people, is none too bright in the short-term and potentially problematic for some considerable time to come.

Nor does the Corporation's financial performance provide much comfort. It has been a persistent loss-maker in recent years. Part of the problem has been Nigeria's notorious electricity blackouts. Geological and water-leakage problems have added to the difficulties.

With proven reserves of over 200m tonnes and much of the country still to be explored, the Nigerian coal industry has potential, but it is a considerable way from realising it.

M.D.

Demand for power outstrips supply

ELECTRICITY (CONTINUED)

gineering group, has won a \$48m contract to instal a further six units with a total generating capacity of 450 MW. The work is scheduled to be completed by the end of 1982.

Two major hydro-electric projects are also under way: Jebba, which will add 540 MW to capacity, and the Shiroro dam, which will add a further 600 MW to the system. The first three 150 MW sets at Shiroro, 60 kms north of Minna, on the Kaduna river, are due to be commissioned in 1983. Capital costs are expected to be more than N200m.

Studies have also been undertaken for possible hydro-electric stations at Lokoja, Ikom and Makurdi, while plans are well advanced for the construction of an 800 MW thermal station at Lagos, using gas piped across country from the oil producing areas. Major expansions and improvements in the grid system are also under way.

Despite these developments, NEPA remains unpopular, particularly following controversial price rises in August last year, which have been criticised by both domestic and commercial consumers.

The civilian Government has insisted that the authority review these increases and its revenue collecting system with "a view to reducing your bills and making life easier." A committee set up to investigate the matter is expected to report before the end of the year.

Alhaji Mohammed Hassan, the Government's first Minister of Mines and Power, also began looking at ways of improving the NEPA bureaucracy. He rejected as impractical calls by some states for NEPA to be simply broken up, and its powers devolved to them.

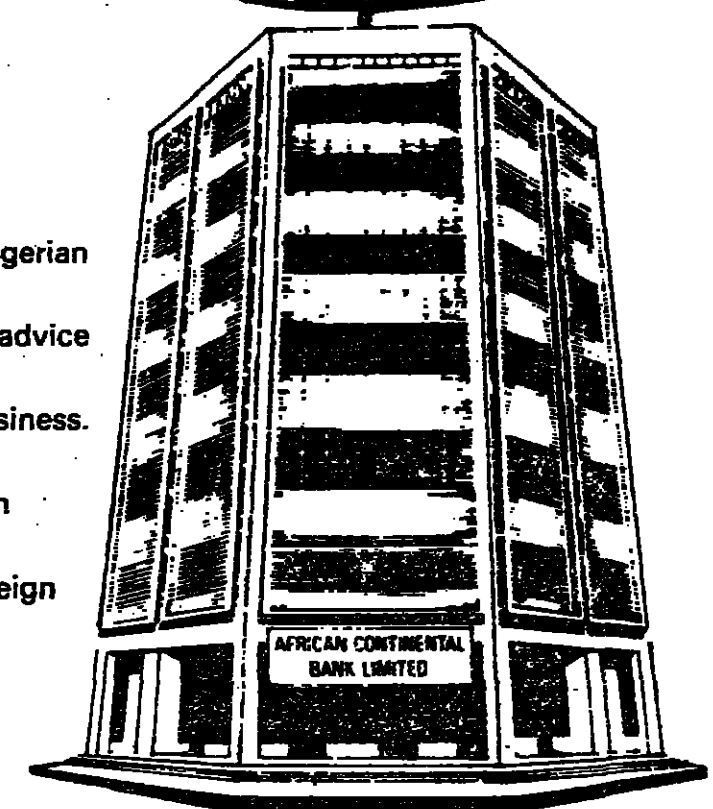
Instead, he concentrated on decentralising decision-making so as to "reduce the problem of referring everything to Lagos." An important step in this direction was the holding of a tripartite meeting last March between NEPA, the Federal Government and state representatives.

M.D.

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NIGERIA X

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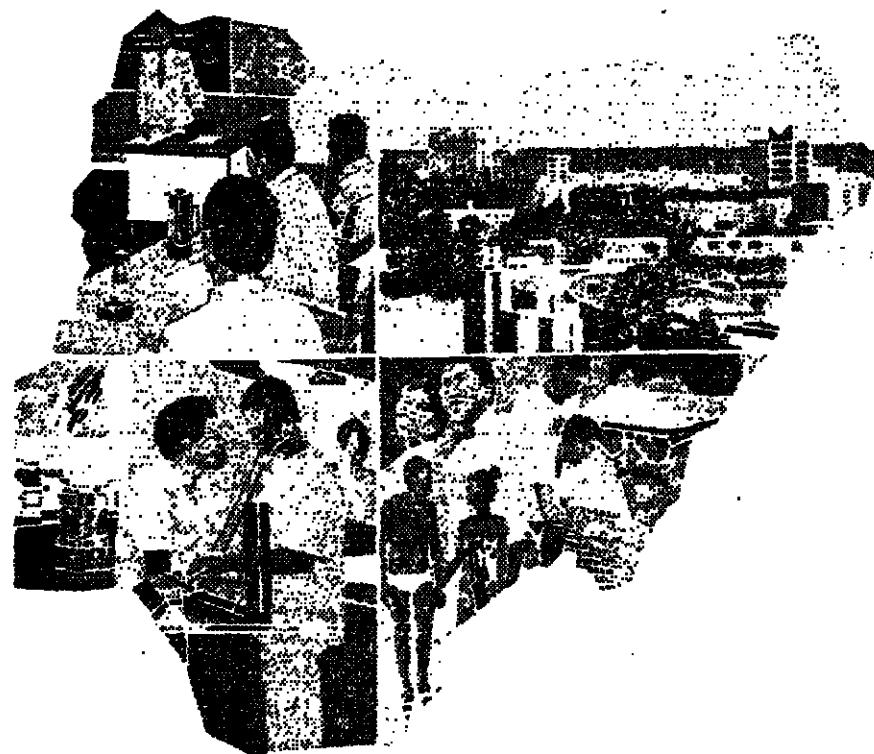
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With over 155,000 Nigerian citizens holding a total of 60% of the shares in this progressive Nigerian company, the pay-off for Nigerians in terms of dividends has amounted to N69.7 million since 1974 when it went public.

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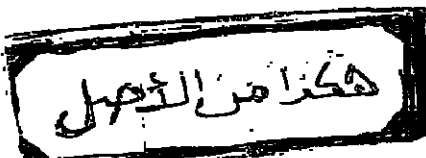
Once Star was born it had to go to market. This meant developing the packaging industry. And setting up a national network of dealers. And mobilising transport to keep the market well supplied. And tapping the advertising industry to stir up awareness, interest, demand.

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New plant will supply the North

REFINING

PRESIDENT Shugu Shagari is about to commission the latest addition to Nigeria's oil refining capacity - a 100,000 b/d plant at Kaduna, in the north of the country.

The refinery is part of a drive to give the country a broad-based downstream hydrocarbons sector. There are also plans for several petrochemicals complexes and a fertiliser plant.

The Kaduna refinery is Nigeria's third and has been completed on schedule by Chiyoda Chemical Engineering and Construction of Japan. It will consist of two units, each of 50,000 b/d capacity, with a catalytic cracker.

One of the units will process Nigeria's light crudes. The other will use heavier, imported oil from Venezuela and Kuwait so as to produce a full range of products.

Annual output is likely to include 1.3m tonnes of petrol, 700,000 tonnes of kerosene, 1m tonnes of gas oil and nearly 600,000 tonnes of fuel oil. Other products will include lube oil, waxes and asphalt.

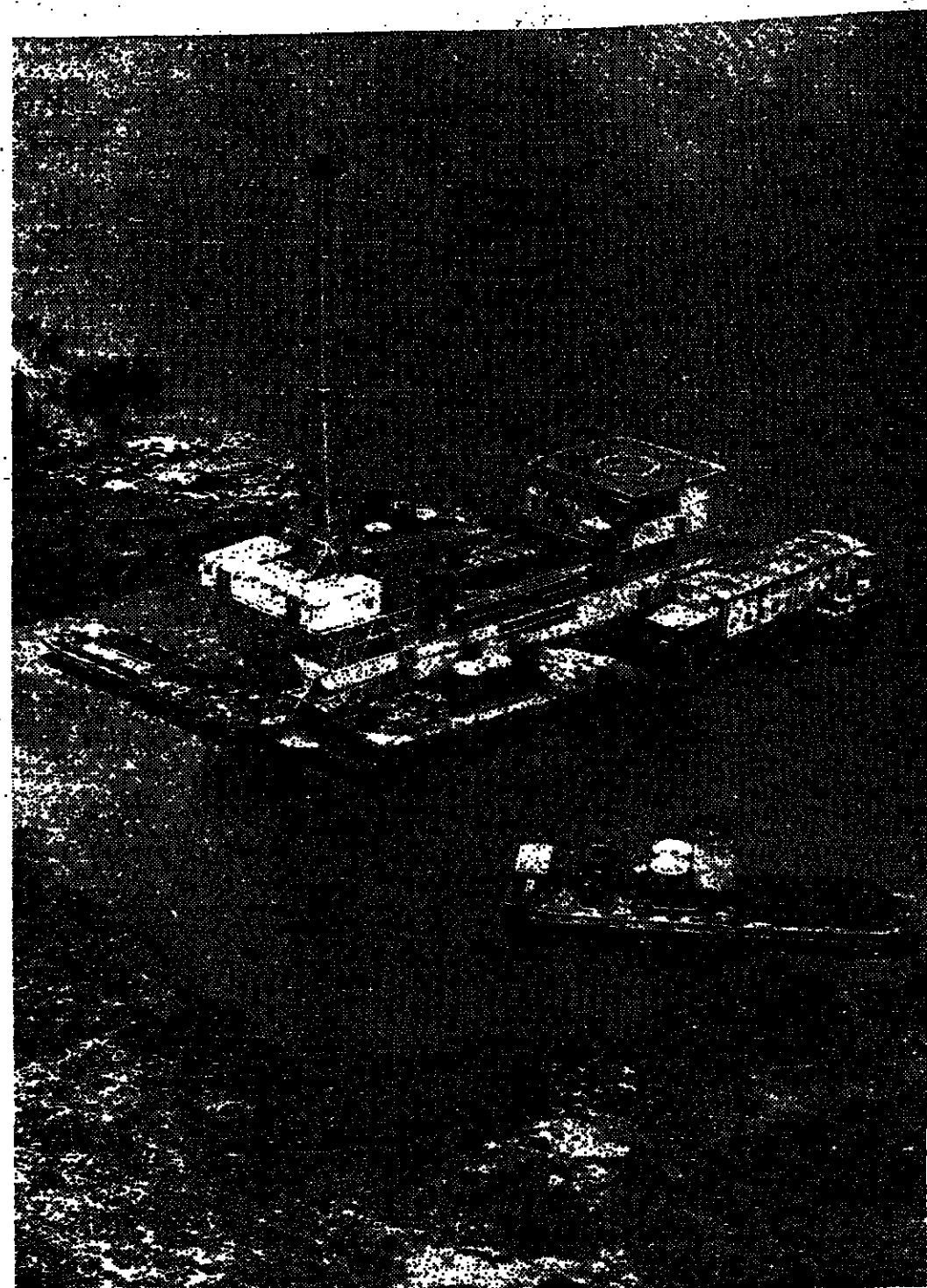
The Government claims that the refinery was sited at Kaduna, far from the Nigerian oilfields, because it is easier and cheaper to supply the northern market with products from a local plant than to transport them from the south. But political considerations are believed to have played a major role in the choice of location.

To get the crude to the refinery, the Nigerian National Petroleum Corporation has had to build a 740 km pipeline from the coast. Excluding the pipeline, the project has cost N500m.

The first Nigerian refinery to come on stream was a 60,000 b/d unit near Port Harcourt which began operating in 1965. The second plant, built by Snamprogetti of Italy, is at Warri and came into production two years ago. It has a 100,000 b/d crude distillation unit.

The Petroleum Corporation is believed to be near a decision to go ahead with a fourth refinery with a capacity of 100,000 b/d capacity. It will probably be sited at Port Harcourt.

The Corporation recently completed laying a network of 2,500 km of pipeline to carry products to major urban centres. It has also been building 20 new fuel storage depots across the country. The first phase of the coun-



From rig, pictures near the southern oil centre of Port Harcourt, to crude oil refinery: the National Petroleum Corporation has had to build a 740km pipeline to transport crude from the south to the new 100,000 b/d refinery at Kaduna, in the north.

try's expansion into petrochemicals will be plants linked to the Warri and Kaduna refineries, making polypropylene, carbon black, detergents, benzene and solvents.

There are proposals for a second stage ethylene complex near Port Harcourt, while a third phase will focus on aromatics and be aimed at producing plastics, fibres, resins, explosives and polyurethane foam.

Natural gas will supply the feedstock for a nitrogenous fertiliser complex which is

planned for the new port of Onne, near Port Harcourt.

The Petroleum Corporation is at an advanced stage of negotiations for the construction of this plant with a consortium led by Pullman Kellogg of the U.S.

Questions have been raised in the Nigerian senate about the previous military administration's choice of Pullman Kellogg for negotiations. But despite this hiccup it is widely expected that the consortium will win the contract.

An agreement could be reached by the end of the

year and the plant might come on stream by mid-1983. The total cost is put at \$500m.

The plant will have three units: one producing up to 1,000 tonnes of ammonia a day; one with a capacity of 1,500 tonnes of urea a day; and one with a daily output of 1,000 tonnes of NPK.

Nigeria currently imports 500,000 tonnes of fertiliser a year so the project will mean a substantial saving on foreign exchange.

M.D.

Demand outstrips power supply

ELECTRICITY

THE INITIALS NEPA stand for the National Electric Power Authority. But in recent years, disillusioned Nigerians could have been forgiven for joking that they really meant "No Electric Power Again."

NEPA's failure to deliver an assured supply of electricity to homes and industries, particularly in the chronic blackout days of 1977 and 1978, have made it one of Nigeria's least loved nationalised industries - an organisation alternatively laughed at or cursed.

Dissatisfaction with its performance was shown particularly clearly in the run-up to last year's elections, when politicians of every hue made a shake-up of NEPA one of their main campaign promises.

Why does it have such a bad image? The main reason is its failure to deliver the goods. The rapid expansion of Nigeria's demand for power after the 1973/74 oil boom outstripped NEPA's capacity to supply it, resulting in blackouts.

An act of nature then intervened to make a bad situation chronic: in 1977/78 drought meant that the water level in the vital Kainji dam did not reach its normal level and NEPA's ability to generate hydro-electric power fell accordingly. Blackouts of 18 hours a day or more became commonplace and industrialists and wealthy individuals scrambled to buy private generating sets.

In resuming outery, NEPA came to symbolise all that is wrong with Nigeria's State-run industries and Civil Service: qualified manpower spread too thinly at the top, with underneath that a vast, timorous and inefficient bureaucracy.

In fairness to the organisation, power supplies have improved during the past two years as new plants have been brought on stream, but there remains a danger that

demand will substantially outstrip NEPA's generating capacity during the next few years.

Nigeria's demand for electricity is estimated to be growing at some 15 to 20 per cent a year. Simultaneous maximum demand on the national grid has grown from some 450 MW in March 1975 to 970 MW in March 1978. The record demand met to date was 1181 MW last February.

In supplying this output, two generating stations are

pre-eminent: the Kainji hydro-electric plant, which now has 720 MW of installed capacity, and the large gas-fired steam turbine station at Sapele, in Bendel state.

The first 120-MW unit at Sapele came on stream in 1978, ameliorating the effects of the Kainji problems, and a further five units have been commissioned since then, giving an installed capacity of 720 MW. An additional four gas turbine units are scheduled to be installed by May 1981, bringing capacity up to

1020 MW. NEPA has three further gas turbine stations in the vicinity of the Nigerian oil fields - Ikeri, Delta and Afam, all of which have undergone expansion programmes in recent years.

The Government recently announced plans for a further expansion of the 260 MW Afam station. Brown Boveri and CIE, the West German subsidiary of the Swiss en-

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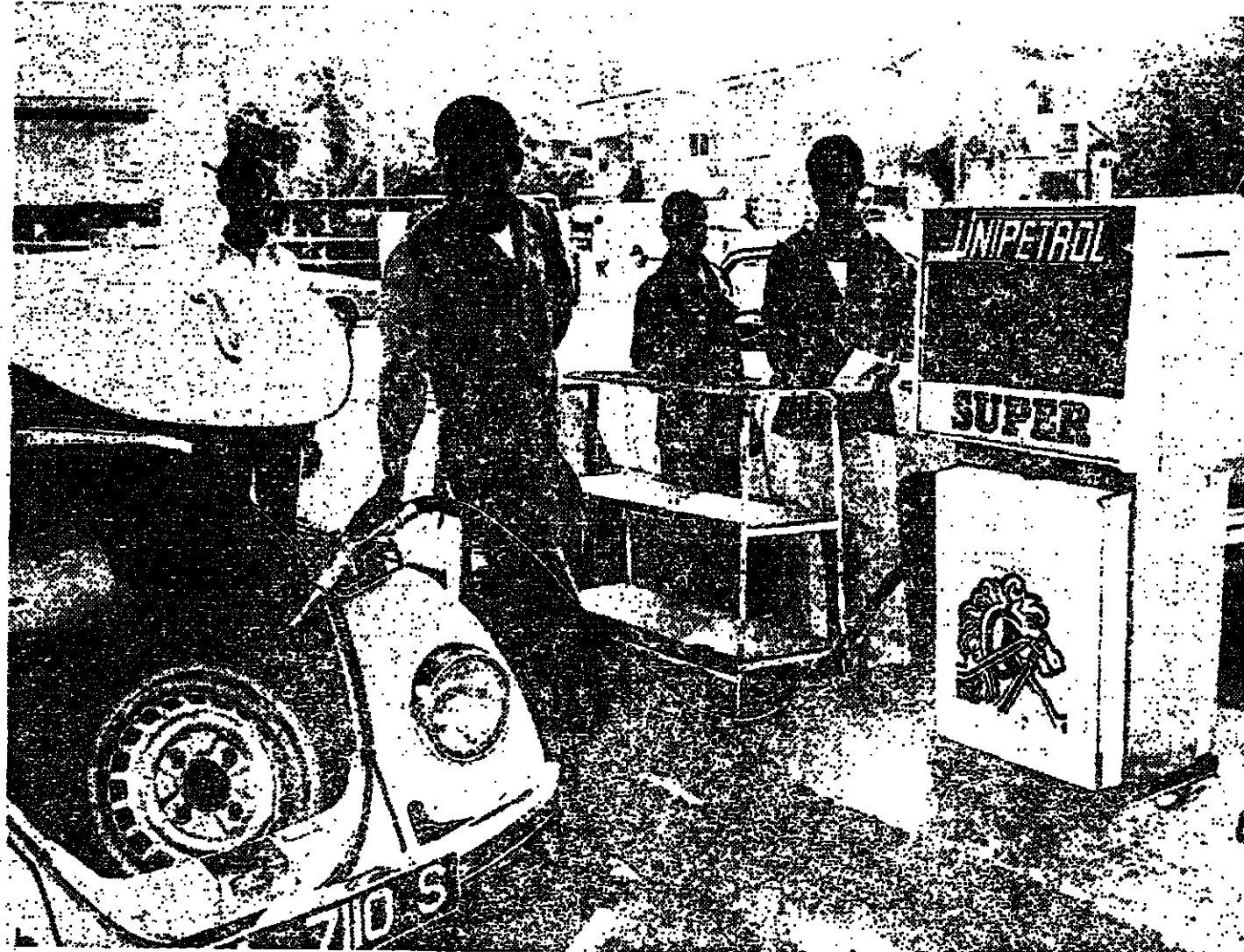
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NIGERIA XI

ENERGY



End product: Petrol, as under a Naira a gallon, is one of the cheapest commodities in Nigeria. Rising internal demand will mean new refineries and ultra-high speed pipelines.

A rocky road to recovery

COAL

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M.D.

Demand for power outstrips supply

ELECTRICITY

(CONTINUED)

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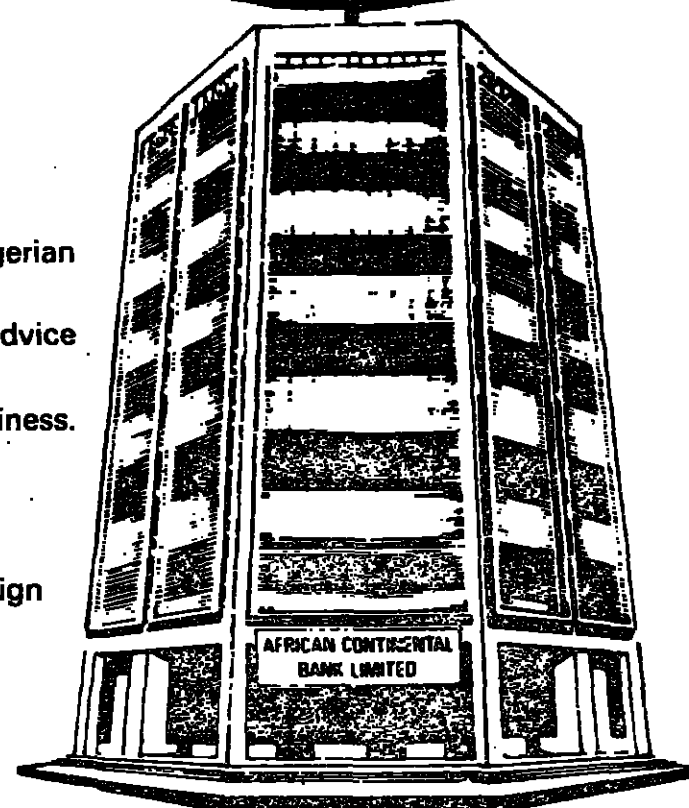
The civilian Government has insisted that the authority review these increases and its revenue collecting system with "a view to reducing your bills and making life easier." A committee set up to investigate the matter is expected to report before the end of the year.

Alhaji Mohammed Hassan, the Government's first Minister of Mines and Power, also began looking at ways of improving the NEPA bureaucracy. He rejected as impractical calls by some states for NEPA to be simply broken up, and its powers devolved to them.

Instead, he concentrated on decentralising decision-making so as to "reduce the problem of referring everything to Lagos." An important step in this direction was the holding of a tripartite meeting last March between NEPA, the Federal Government and state representatives.

M.D.

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Capital market develops muscle

Nigeria's financial institutions have gone through rapid and profound change in the past three years, aimed at redirecting their services primarily to Nigerian needs rather than those of others. The success of the operation can be judged best perhaps by the current capacity of the country's capital markets.

WHILE STILL unable to raise finance for very large projects or to organise public sector financing abroad, the market has shown in the past year or so that it can raise sums of up to N50m quickly and efficiently.

The market has also absorbed more than N200m in share flotations in the past two years as part of the indigenisation of 78 industrial and commercial companies. More recently, it has begun to provide debenture and preferred share capital as well.

The transition has, of course, caused problems. The banking system is clearly straining from its increased responsibilities and is likely to remain under pressure for some time. And all financial institutions continue to suffer from Government controls of various kinds.

Some of the controls, which were intended to prevent foreigners from profiteering, seem increasingly to be merely a nuisance in the way of Nigerian financial executives who seek to manage and direct capital as effectively as possible. The worst distortion produced by controls may be the reinforcement of many Nigerians' unfortunate belief, probably learned first from European traders, that all investments should yield high returns very quickly.

At current Government-set bank lending rates of around

9 per cent, it is possible to build a block of flats in Lagos on borrowed money, demand five years' rent in advance, repay the loan, and walk away with a handsome profit.

With that kind of operation rampant, it is difficult to convince a Nigerian machinist that he should invest in a shop to supply parts to the Leyland truck factory at Ibadan in anticipation of a more normal 30 per cent return on his equity.

The low interest rates also attract safe and easy short-term business to the banks, which they are happy to take rather than get involved in more risky medium-term project finance.

At the end of December, 1979, more than 30 per cent of the commercial banks' loans matured within 180 days and only 2 per cent exceeded five years, a virtually unchanged profile from a decade earlier.

The Government has set up financial institutions specifically to provide industrial development finance but so far they seem to have been approached mainly to finance quick-return breweries. Last year, for example, the National Industrial Development Bank put 38 per cent of its N44m investment fund into food and beverages.

"There will be a slight re-orientation to intermediate and capital goods," Alhaji Abubakar Abdulkadir, the newly appointed managing director of

FOREIGN PRIVATE INVESTMENT IN

FIXED ASSETS IN NIGERIA (Book Values)

YEAR	1968	1970	1974	1977
TOTAL (N Million)	651	730	1,687	1,990
Ownership				
UK % Share	52.3	52.1	59.5	58.1
U.S.	17.3	28.6	30.0	29.5
Western Europe	22.7	18.3	20.3	8.3
Others	7.7	9.5	9.0	11.1

FOREIGN INVESTMENT BY INDUSTRY

YEAR	% Distribution	1966	1977
OIL	49.9	35.1	
Manufacturing	17.5	24.6	
Agriculture	1.1	1.0	
Trading	24.8	29.3	
Others	6.7	9.8	

NIDB promises. "Our industrial projects have not been properly linked in the past and so we have not had a proper economic take-off."

Alhaji Abdulkadir is confident that Nigerians are conscious of the need to break away from dependence on oil and industrialise. He believes more and more people will be willing to invest in industrial projects but this remains to be seen.

Other Government-sponsored financial institutions have also been directed to be more conscious of the country's needs. The National Provident Fund, for example, with savings from pension contributions of N300m at the end of last year, is obliged to invest all its funds in Government stocks, equities and debentures quoted on the Nigerian Stock Exchange.

Under the 1976 Insurance Decree, insurance companies must invest all surplus funds within the country, and may put up to 15 per cent in quoted equities.

Other Government-sponsored financial institutions have also been directed to be more con-

I.R.

Rapid switch to local control

IN HIS statement in the 1979-80 annual report of First Bank, formerly Standard Bank of Nigeria, the chairman begins by thanking the eight of 15 directors who resigned during the year and welcoming eight new directors, including himself.

No explanation is offered for what in most organisations would be considered an extraordinary event and which, in fact, reflects one of the most traumatic upheavals to hit the Nigerian banking industry since the imposition of exchange controls in the early 1960s.

Last September, the outgoing military Government suddenly decided it was time to insist that Nigerians take over management control of the country's 20 chartered banks.

The indigenisation of banks had begun in 1973 when the Government had bought 40 per cent interests in the big three banks, Standard Chartered, Barclays and United Bank for Africa (Banque Nationale de Paris).

A further step was taken in 1976 when the Government raised its stake to 60 per cent in all foreign-associated banks, but management and board control was still left with the foreigners.

The transition to Nigerian operating control was the next logical step, but the speed with which the Government moved caught most banks by surprise. Observers have speculated that the military were worried that the new civilian administration might lack the confidence to push ahead with the programme and so took the plunge themselves.

In the event, the new Government has carried through the operation vigorously. Within less than six months from the order, dozens of expatriate executive directors were removed and new Nigerian executives installed. At First Bank, for example, there were three expatriate executive directors last year and one Nigerian. Today there are four Nigerians and one expatriate.

What also shocked the banking community was that the Government moved its nominees from one bank to another without any concern for continuity or confidentiality within a particular bank.

Thus, for example, Mr. P. O. Nwagoby, the new chairman of First Bank, was until this year the chairman of Union Bank, formerly Barclays Bank of Nigeria. Mr. Michael Bubba, one of the directors who left First Bank, has since turned up as chairman of United Bank for Africa, in which Banque Nationale de Paris has a 25 per cent interest.

Chase Merchant Bank, anticipating the winds of change, had gone to the trouble of finding a Nigerian banker in London and training him to take over as managing director. When the time came, the Government agreed that the man in question was qualified but he could not work for Chase because of possible conflicts of loyalty. The man was quickly snatched by another merchant bank.

The Government's objective in imposing these changes at the banks was fairly clear. "They wanted to give the people a sense of belonging," Mr. Andrew Obeya, director of operations at First Bank, said. "We are showing that banking is not just for a special class." Mr. Obeya emphasised that all of the Government appointees are knowledgeable in banking. Expatriate bankers tend to agree. Nevertheless, the speed and magnitude has shaken them, especially at a time when the banks have been straining under other problems associated with rapid growth, such as finding qualified staff, maintain-

ing adequate controls and meeting a lengthening list of government-imposed obligations.

The banks' growth has been little short of phenomenal in the past few years. Total assets of the commercial banks rose almost tenfold in the ten years to December 31, 1979 to N11.2bn.

Among the big three, First Bank's assets grew from N819m at March 31, 1976 to N2.1bn at March 31, 1980. Union's assets grew from N674m at September 30, 1979 to N1.4bn at September 30, 1979, and this despite the Government's boycotting of Union for much of last year. UBA's assets have risen from N795m at March 31, 1976 to N1.7bn at March 31, 1980.

This growth is all the more remarkable in a period that has seen the entry of several new banks, including six merchant banks. Despite their labels, the merchant banks are really small-scale commercial banks that enjoy the luxury of picking off only the best corporate customers.

Take for example, the case of Icon, one of the most active merchant banks, owned partly by two of the country's largest institutions, the Nigerian Industrial Development Bank and the National Insurance Corporation of Nigeria.

Hasty promotion

In a prospectus published for a recent N2m preferred share issue, Icon revealed that almost half its N10.4m gross revenue came from interest income with another N3.2m in income from letters of credit and other banking services.

Staffing problems in such a fast-growing market are obviously acute. Businessmen often grumble that service in the banks has deteriorated rapidly in the past few years and attribute it to the hasty promotion of under-qualified Nigerian managers.

Bankers freely acknowledge the deterioration in service but attribute it more to the rapid creation of hundreds of new rural branches, as required by the Government, and to inadequate compensation for employees and an increasingly complex workload.

Just in the past few months, for example, the Government has ordered the banks to administer a car loan scheme for all public and para-public employees and to insist on production of a tax clearance certificate before selling anyone travellers cheques.

"All that means is that we are going to stop selling travellers cheques to anyone we don't know," one banker said.

Like other workers, bank staff have suffered in the past three years from wage controls, but some bankers have still been surprised by the approximately 35 per cent package recently negotiated by unions representing junior staff.

Some bankers complain about the increasingly specific Government guidelines on their lending. Within an overall lending growth ceiling of 30 per cent (40 per cent for merchant banks), the banks must direct certain percentages to agriculture, housing and preferred industries, notably agriculture, mining, manufacturing construction, services and exports. Financing of less preferred activities, such as importing, is restricted.

Lending and borrowing rates are also specified by the Government to a large extent, and at levels well below those prevailing abroad. Minimum lending rate this year is 7.5 per cent and other rates range up



Mr. Andrew Obeya, acting managing director of the First Bank of Nigeria. "We are showing that banking is not just for a special class."

to 11.5 per cent. Deposit rates vary from a 5 per cent minimum on short-term deposits to 6.5 per cent on longer fixed term deposits.

Still, the spreads are such that the banks seem to do very well. Return on equity of the big three banks has risen over 30 per cent in most of the past five years, although it has

CONTINUED ON
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مكتبة النهر

NIGERIA XIII

FINANCE

Exchange waits for controls to be relaxed

STOCKS

"NOW THAT the mass of flotations caused by the indigenisation decree is over, the Nigerian Stock Exchange is facing the much harder tasks of promoting wider public participation in share trading and encouraging local companies to go public."

Both goals are made difficult to achieve by the Exchange's increasingly unpopular practice, undoubtedly Government-directed, of maintaining the prices of its 155 listed stocks at artificially low levels.

The new elected Government shows signs of being more receptive to pleas for an open market than the military. But until controls are relaxed the Exchange is going to remain a quiet place.

Meanwhile, of course, it is performing its basic function of providing a ready, indeed eager, secondary market for anyone who wants or needs to sell his shares. And the absence of volatile price movements should help build and sustain public confidence in what is still a relatively new form of investing for Nigerians.

The Exchange opened for business in June 1981 with only 19 securities on its board, among them the major trading company, John Holt Investment and a few subsidiaries of British companies such as Dunlop and BAT Industries. By 1974, the roster had less than doubled but the Nigerian Enterprises Promotion Decree of 1972 and 1977 caused dozens of foreign-controlled companies to place shares publicly. In all, 78 companies with a combined capitalisation of N210m have gone

public as a way of achieving up to 60 per cent Nigerian ownership.

Of the 155 stocks listed today, 51 are Federal Government development stocks, one is a State bond, 13 are industrial loan stocks and the remaining 90 are equities. In terms of market capitalisation, Government development stocks dominate. They are valued at about N4bn, while equities and industrial loan stocks are worth only about N600m. Only three of the quoted companies are native Nigerian, and each of them has strong Government participation.

The problem of artificially low share prices emerged with the indigenisation exercise. The Capital Issues Commission, since renamed the Securities and Exchange Commission, has responsibility for establishing a fair price for any issue made to the public. For indigenisation issues, the CIC tended to set prices at a low level, presumably because it did not want the foreign beneficiaries to make a killing.

Once it established that the share price of even the most successful companies should be set at less than 10 times earnings, the Stock Exchange had to respect that guideline. To let prices float up would be to admit that the screams of pain from the foreign vendors were justified.

The result is that, for example, the Unilever affiliate, UAC of Nigeria, which is the largest industrial company in the country, trades at about six times last year's extremely depressed earnings. UAC's return on shareholders' equity is normally about 20 per cent but was halved last year because of the recession.

Dividend yields also tend to be very high when weighed against returns on other investments. Banks, for example, pay about 6 per cent on savings.

UAC shares, on the other hand, yield close to 9 per cent.

Small wonder that shareholders have tended to hang on to their shares rather than become active traders on the

year at N1.55 a share, compared with an underlying asset value of N2.20 a share.

"I have always considered the Nigerian Stock Exchange a bit of a joke," Mr. W. O.

because so few are offered at the official price and it is illegal to trade in shares off the Exchange.

"We have been trying for months to build up a small jobbing portfolio," one banker said, "but it cannot be done."

The Exchange makes no bones about what it is doing. At the daily "callover" one day in July, the Exchange official who read out the names of the stocks to the assembled brokers, occasionally refused bids as excessive and made allocations, "arbitrarily." Also, bids below the quoted price are not permitted.

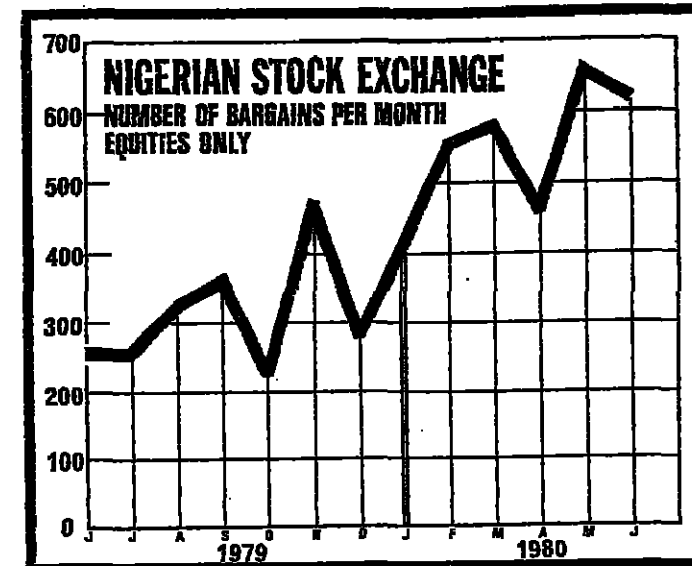
"We want to guard against inflationary price increases," said Mr. R. B. Areago, director of the Lagos branch of the Exchange. "We want prices to be as close to reality as possible. The problem is whether or not they should be allowed to rise on very little volume."

As for Government stocks, until 1978, they were always traded at par. Since then, the central bank circulates a monthly list, setting the prices for these stocks. For all that, there has been steady growth in the past year in the number of share transactions on the Exchange (see chart).

Stock Exchange officials are very eager to see more turnover in the market. Indeed, Mr. Hayford Allie, director-general, says he would like to see "as much speculative activity as possible."

Mr. Allie suspects the Government does not want to change its policy because it is benefiting from selling its own stocks cheaply. He says it is also difficult to convince local companies to go public because they can borrow money more cheaply at the bank.

I.R.



stock market. Moreover, since about 60 per cent of all shares are estimated to be in the hands of institutions, there is even less likelihood of trading.

The Stock Exchange would like companies to issue more shares, but they are reluctant to do so at the low prices set by the SEC. About the only way in which the number of shares in circulation is increased is through scrip issues, which are popular as a way of getting around dividend controls. The banks are regular issuers of new equity but only to keep their capital ratios in line. First Bank, for example, made a rights issue early this

year at N1.55 a share, compared with an underlying asset value of N2.20 a share. "I have always considered the Nigerian Stock Exchange a bit of a joke," Mr. W. O.

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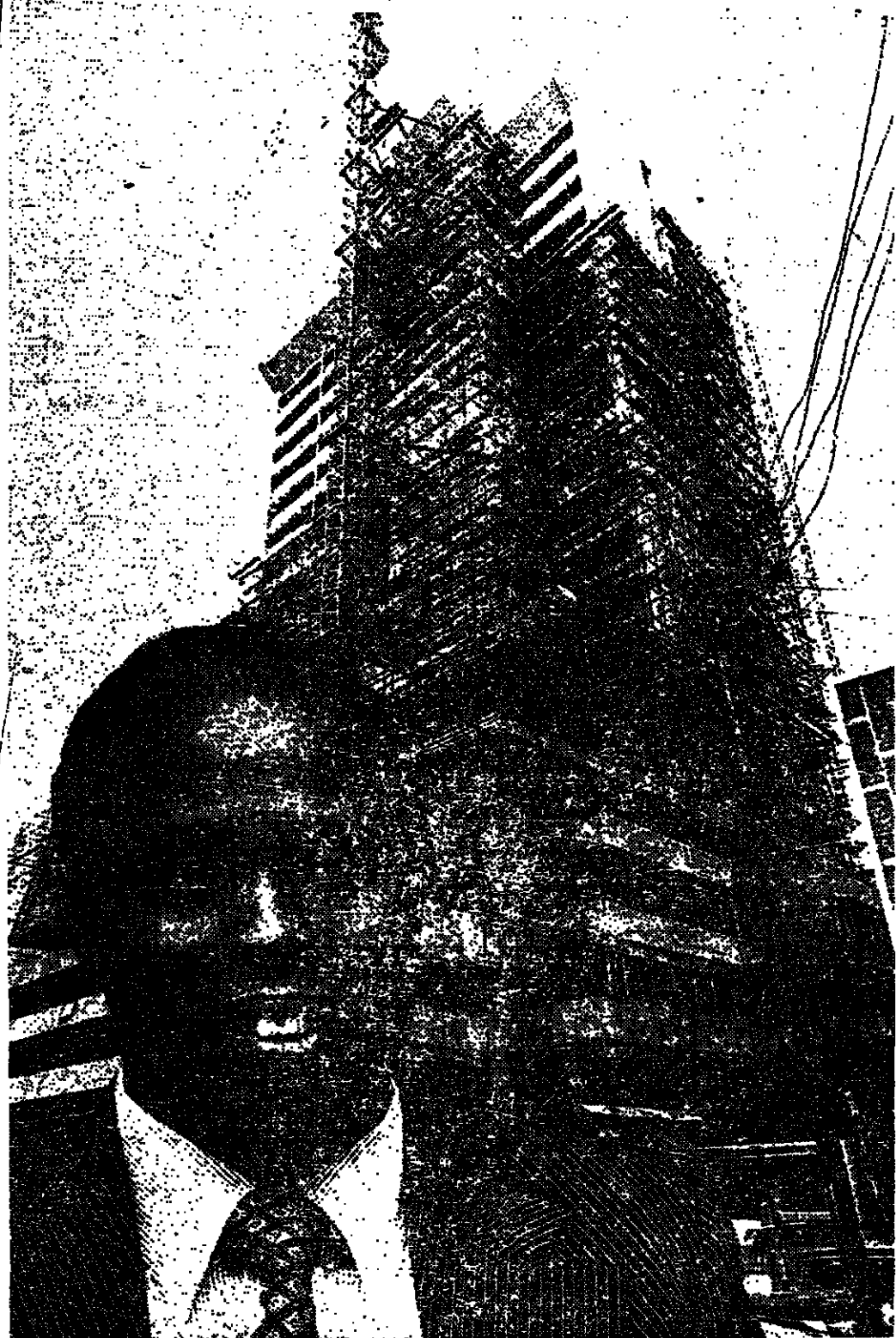
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I.R.



Mr. Hayford Allie, director-general of the Nigerian Stock Exchange, with the Exchange building in Lagos nearing completion. Stock Exchange officials are eager to see more turnover in the market. For the future, Mr. Allie says he would like to see "as much speculative activity as possible."

BANKING

(CONTINUED)

found that produces huge demand deposits.

The restriction of six per cent of total lending to finance imports means that any excess demand can be sent to offshore affiliates. However, the Government is getting more proficient at its lending quotas to the value of import licences it issues.

Many banks did not reach their overall lending growth limit last year. Central Bank statistics show that commercial bank loans and advances grew only 12.5 per cent in 1979 to

N4.6bn. Business is said to have recovered sharply this year. It is now a question of bankers say, of picking among hundreds of millions of Naira worth of interesting industrial projects.

The opportunities obviously continue to outweigh the problems involved in banking in Nigeria because more foreign banks continue to arrive. France's Societe Generale set up three years ago and Citicorp, having packed its bags and left when the 1976 Indigenisation Decree was published, has returned this year. Another seven foreign banks have established representative offices in the country.

However, the Government is unlikely to relax its expectations of the banking sector in the near future. In a speech to the annual dinner of the Institute of Bankers of Nigeria, the Governor of the Central Bank, Mr. Ola Vincent, warned

that banks would continue to be required to meet the specified objectives of the financial system and to contribute significantly to the achievement of the stated national economic goals.

He called on banks to "gear up their services as financial advisors to indigenous entrepreneurs" and to improve the quality of service to the public.

Some observers have wondered if the indigenisation moves of the past few years are leading towards the creation of a single national bank.

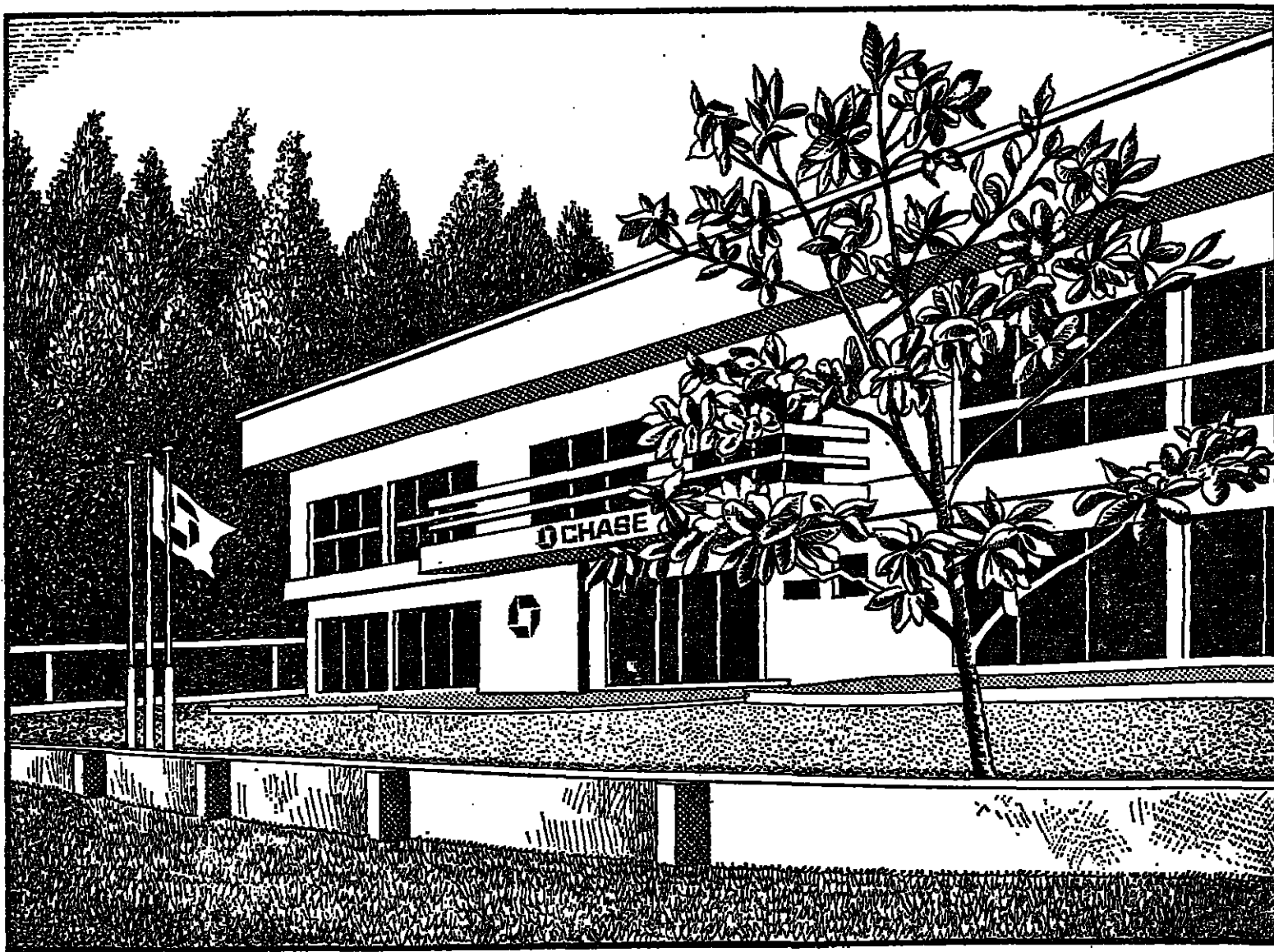
In his speech, Mr. Vincent said: "With the growth in the number and branches of banks envisaged for the 1980s, consideration should be given to the establishment of more formal co-operative and supportive arrangements that will promote the strength and integrity of the banking system and enhance the confidence of depositors."

I.R.



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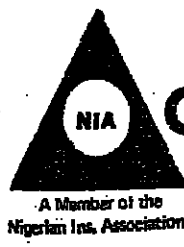
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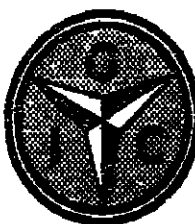
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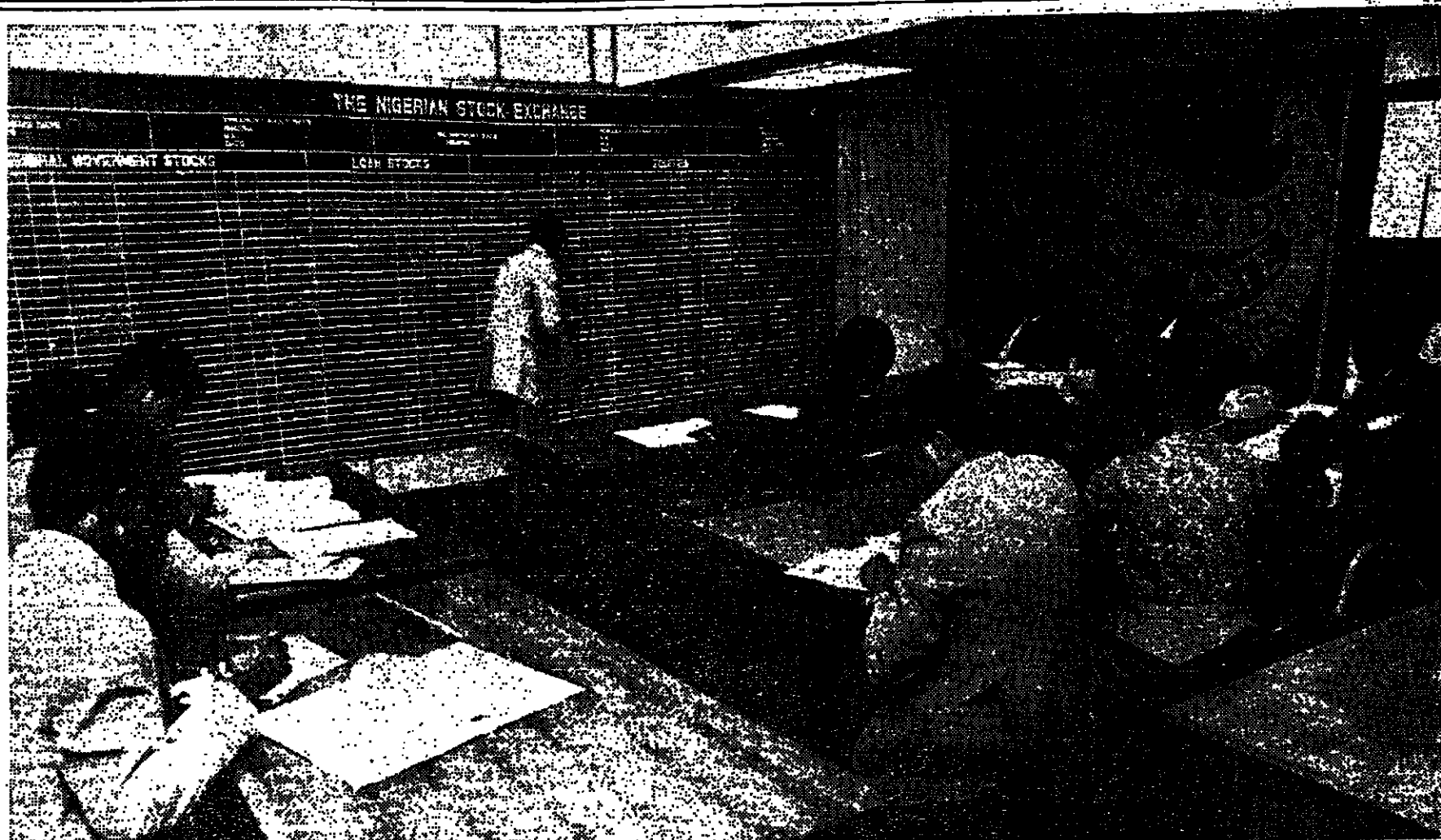
NIGERIA XIV

FINANCE



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Heads down to business: The 2.30 call over at the Nigerian Stock Exchange. Until controls are relaxed, the Exchange is going to remain a quiet place

Lucrative business in local hands

INSURANCE

FOLLOWING THE pattern set by the commercial banks, the Nigerian Government is indigenising the foreign-controlled insurance companies not only as to ownership but also with respect to management and operations.

In the past six months, Nigerian executives have taken over at Royal Exchange Assurance (Nigeria) and at United Nigerian Insurance, an affiliate of Commercial Union. Other major companies, including The Sun, a Sun Alliance associate and Law Union and Rock, a Royal Group associate, have not been affected so far.

The foreign-controlled insurance companies are still smarting from what they consider the arbitrary fire-sale prices the Government set for its initial purchase of up to 49 per cent of their shares in 1976. The subsequent forced sale of a further 11 per cent was achieved on more agreeable terms, they say.

The indigenisation of operations began in earnest in 1977, when the Government decreed that all imports had to be insured locally. Until that time, companies had been obliged to give 10 per cent of all business they wrote to the National Insurance Corporation of Nigeria (NICON) by way of compulsory cession. But starting in 1977, the cession was transferred to Nigerian Reinsurance Corporation and raised to 20 per cent.

Companies complained that the set commission rate of 5 per cent above brokerage fees did not even cover their costs. Meanwhile, customers were complaining of huge increases in marine premium rates following the isolation of the Nigerian market, although some have since noticed that claims service has improved considerably.

Last year, companies were directed to place an additional 10 per cent of their overseas treaty business with Nigeria Reinsurance and another 5 per cent with Africa Reinsurance, a company set up in 1977 by four African countries. This year, a further 10 per cent must be directed to Nigeria Reinsurance.

The effect of these moves has been, of course, to remove more and more of the lucrative reinsurance share of premium income from the foreign owners of Nigerian companies. From Nigeria's point of view, this is a natural and desirable thing to do.

"The Government feels that if it does not control the way funds are deployed, they may not necessarily be deployed in the best interests of the country," Yinka Lijadu, managing director of NICON, says.

However, for the foreign companies, these moves raise a couple of difficult questions. First, are Nigeria Reinsurance and Africa Reinsurance going to demand even more cessions in the future?

"We have no immediate plans," said Mr. J. O. Irukwu, managing director of Nigeria Reinsurance. "But our society is growing and it is possible things could change."

A second question is how much it is still worthwhile for foreign companies to retain a presence in Nigeria.

"The emphasis has shifted," Mr. Irukwu said. "If I were a foreigner, I would direct my attention to reinsurance rather than insurance because we recognise that reinsurance is international. I don't think it would be very easy for a new foreign company to get into insurance. We have 74 companies at the moment and there is certainly not too much income around for them."

But even for foreign companies already established, the prospects are uncertain. The policy changes of the past three years came at a time when business conditions were poor and many have performed badly.

Sharp fall

Marine business dropped substantially as a result of Government restrictions on imports and many companies have recorded losses in this area. However, at least the run of ship piracies and unexplained disappearances has been reduced by the Government's classification scheme, whereby ships of dubious ownership or management are no longer allowed to enter Nigerian waters.

The gloss has also come off industrial business as a result of some major fires. Government business remains small, partly because of the recession and partly because the federal Government and 12 of the 19 states have their own insurance companies.

Life insurance is of limited interest because there are no special tax concessions for life funds. Moreover, Nigerians have not yet acquired much enthusiasm for life insurance.

"Most people cannot afford it," Mr. Lijadu said, "and those who can know that they can invest their money better themselves."

Insurance companies are also concerned about large wage settlements this year, though they admit they have benefited from three years of stiff wage controls.

Against these negative factors, must be weighed the likelihood of a strong surge of economic growth in the next few years, during which even a diminishing slice of the pie could turn out to be very tasty indeed.

To take only the market potential of life insurance, out of a population of 80m, probably fewer than 1m hold life insurance policies.

No statistics are available on the size of the Nigerian insurance market, but gross premium income is believed to be in excess of N300m a year, of which life insurance accounts for about N50m, general accident N40m, motor N90m, fire N30m, and marine N50m. Foreign-associated companies may account for 30 per cent of

OWNERSHIP OF NIGERIAN ENTERPRISE

Year	1966	1970	1976
OIL			
% Foreign	100	100	39.2
% Nigerian	—	—	60.8
MANUFACTURING			
% Foreign	81.5	57.3	56.7
% Nigerian	18.5	42.7	43.3
AGRICULTURE			
% Foreign	82.1	81.7	69.5
% Nigerian	17.9	18.3	30.5
TRADING			
% Foreign	98.9	94.6	71.7
% Nigerian	1.1	5.4	28.3
TOTAL			
% Foreign	82.9	81.2	58.5
% Nigerian	17.1	18.8	41.5



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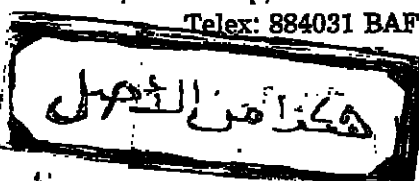
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NIGERIA XV

FINANCE

A warm day for the chairman

AGMs

THE CHAIRMAN of Mobil Oil Nigeria rose to deliver his annual message to the approximately 2,000 shareholders in Lagos's National Theatre.

Suddenly, a shareholder stood up and waved Mr. Richard Hebbard down.

"Mr. Chairman, we have a lot of important questions to ask. Your statement is just a waste of time. Let us get on with it."

"Agreed, agreed," Mr. Hebbard, a tall, swarthy American, said weakly and the questions began. They were to continue for 45 minutes and at the end of it the chairman was drenched in perspiration from his head to his waist.

The questions had ranged from the auditors' fees, which had been raised 29 per cent to N67,000 (\$53,000) to the sudden appearance of N2.5m in depreciation charges. The failure of the directors to issue bonus shares was criticised and the continuing presence of foreigners queried. In some cases, brush-off

answers caused moans of discontent.

Shareholder capitalism is a relatively recent phenomenon in Nigeria but these people have embraced it with enthusiasm and quickly acquired a reputation for being attentive, sophisticated in their questioning and highly demanding of their directors.

AGMs are dreaded by some directors, but are the source of lots of good stories. Last year, for example, the nationalistic Nigerian directors of Cadbury, Nigeria, who had just acquired control of the company through the indigenisation exercise, proposed that the name, Cadbury, should be removed.

The shareholders, whose feel for commercial value was unaffected by vain pursuits, would not hear of it and voted them down.

At the United Bank for Africa (the Banque Nationale de Paris associate) AGM last month, a shareholder demanded that the auditors be fired for not noticing that a bonus share issue last year had not been distributed. In fact, the distribution had been made, but in the previous year.

And at the First Bank Standard Chartered Associate AGM in July, share-

holders complained that although they held 17 per cent of the shares, all the directors were named either by the Government, which has a 45 per cent stake, or Standard Chartered, which holds 38 per cent.

Mr. F. O. Nwagoby, chairman, dismissed these complaints saying the public

"Agreed, agreed," Mr. Hebbard, a tall swarthy American said weakly and the questions began. They were to continue for 45 minutes and at the end of it the chairman was drenched in perspiration from his head to his waist.

shareholders were in no position to organise themselves to name directors.

"If we mismanage your affairs, all you can do is tell us so at these meetings," Mr. Nwagoby said to loud booms.

Another shareholder charged that the replacement by the Government of eight directors, including the chairman, during the year violated the bank's articles.

But even such a sophisti-

cated query as that had been anticipated and a company lawyer produced a dubious response, which provoked still more booms.

The meeting remained in control but ended in a bad humour that was only slightly assuaged at the adjacent bar.

A prominent theme at AGMs is the continuing presence of foreign directors, even though foreigners are allowed to retain only 40 per cent of the shares of most companies.

Some shareholders resent the presence of expatriates and demand to know why the company is not totally Nigerian. Others urge patience and express gratitude for the expats' continuing assistance.

A tell-tale sign of the current mood comes during the custom of clapping each director as he is introduced by the chairman. At First Bank, Lord Barber, chairman of Standard Chartered, was given a most enthusiastic reception.

As elsewhere, companies seek to disarm their shareholders with gifts. First Bank issued umbrellas, which was a good idea because it was raining that day.

I.R.

Confusion over budget changes

TAX

WHILE THE federal budget as a whole was seriously delayed by the unfamiliar process of Parliamentary review, the proposed changes in taxation seemed to get lost completely in the new legislative shuffle.

Considerable confusion developed during the summer because of a small booklet called "1980 Notes for Guidance on Budget," published by the Inland Revenue in June, which outlined the proposed tax changes.

Many companies immediately implemented the proposals, said to be retroactive to April 1, especially the increase in permitted dividend payout from 50 per cent of after-tax profit to 60 per cent or 20 per cent of paid-up capital, whichever is larger. (To add to the confusion, the April budget outline had mentioned 25 per cent of paid-up capital.)

It subsequently emerged that these were merely proposals by civil servants who, after 15 years of military rule, simply took it for granted that their scheme would be approved and so implemented it immediately.

However, under the new constitution, nothing can be implemented until a Bill passes the National Assembly and the current guess is that it will pass in January with the next budget.

It is unlikely that the Government will have the temerity to withdraw the dividend payout provisions as this would mean asking thousands of shareholders to pay back some of their dividends. But other proposals have been contested and could fail.

One such proposal calls for an increase in the dividend withholding tax from 12.5 per cent to 20 per cent (25 per cent for foreigners, both individual and corporate). Some companies have refused to pay the increase and have apparently succeeded in getting approval to remit 97.5 per cent of dividend payments to foreign owners.

While the status of all the proposals in the Inland Revenue guidance notes is un-



A tax loophole for construction companies was closed last September by retroactive imposition on gross turnover

certain, observers believe that most are in line with Government thinking and will pass in substance if not in exact detail.

One of the more important provisions, for example, is the re-establishment of franked income so that dividends from one company can be paid to another without tax having to be paid twice. In the case of dividends passing between Nigerian resident companies and individuals, a 20 per cent tax would be paid on the dividends by the issuing company. For non-residents, the rate would be 25 per cent. The recipient companies would not be charged income tax on this franked investment income and would be allowed to take a credit against the tax payable on their own dividends of the amount already paid.

Another welcome proposal is for the restoration of the maximum deductible allowance for technical service fees to 2 per cent of pre-tax profit from the mere stalling 3 per cent of after-tax profit. Some business leaders still consider this inadequate if the country is to compete successfully for tech-

nology transfers, but trading companies seem content.

Not least important in the list is the new schedule of personal income tax rates, showing a substantial easing of the burden on higher earners. The proposal is to reduce the maximum 70 per cent rate on N30,000 and above to 45 per cent on N36,000 and above. Opposition to the scale of these reductions may mean that the top rate gets lowered only to 55 per cent but businessmen are still confident of a significant improvement.

The taxation of construction companies, under consideration since 1977, was finally resolved last September by military Government decree. The new ruling provides that construction companies pay either normal corporation tax of 45 per cent of profit or 2.5 per cent of turnover, whichever is larger. The provision applies retroactively to the December, 1976 tax year. Some companies tried to resist this frequent Nigerian practice of legislating by hindsight but without success.

Resistance to any tax measure is, in fact, impossible because

of the ever-widening use of the tax-clearance certificate. This is now a prerequisite to tendering for any Government contract, to registering a vehicle, to remitting dividends abroad, and even to buying gun licences or travellers' cheques.

They can be obtained from the Inland Revenue and relevant state governments usually in two or three days by a new company, provided the proper documentation is produced. For old-timers, it can take up to two weeks.

The story is told of a shareholder who, bored with the interminable commentary of one of his fellows at an AGM, rose to announce that the gentleman in question had no right to speak anyway because he had not obtained a tax-clearance certificate.

Meanwhile, Britain and Nigeria are said to be making good progress in drafting a new double taxation treaty and it may be ready early next year. In the year since the former treaty expired, companies have been allowed to proceed as if the treaty were still in force.

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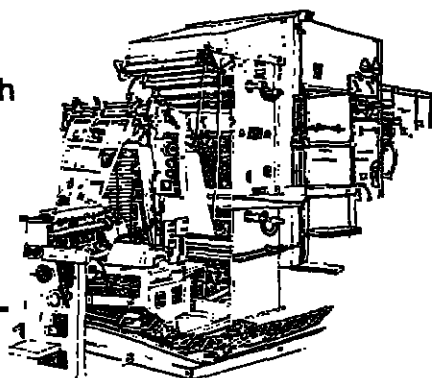
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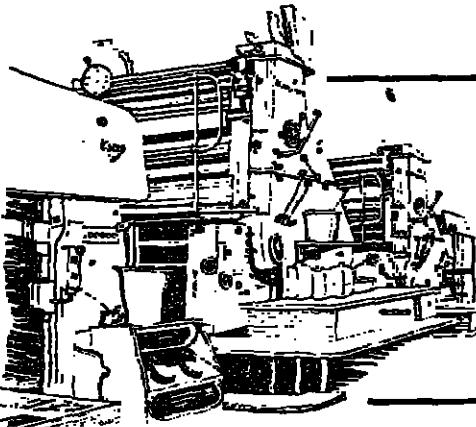
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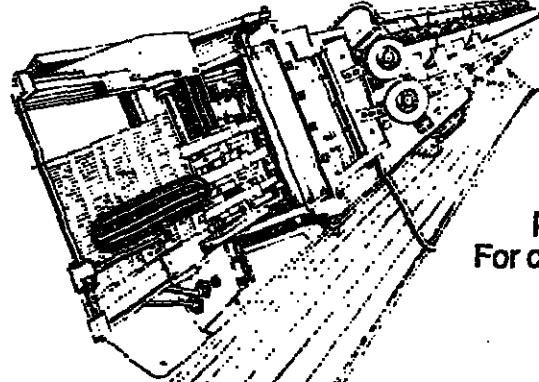
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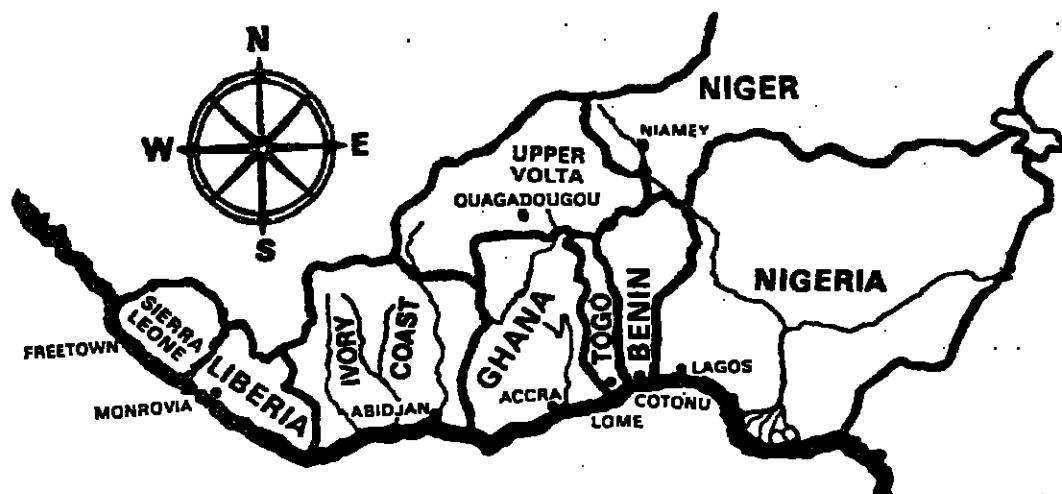
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Outlook remains far from bright

Nigeria has everything needed for a strong industrial economy—a large home market, plentiful natural resources, a huge territory and the money to develop it. But despite major efforts in the past decade to promote industry and discourage imports of finished goods, the level of industrialisation in the country remains pitifully low.

OUT OF a gross domestic product last year of probably N18.7bn, manufacturing accounted for less than 8 per cent. Imports at an estimated £7bn, were the equivalent of more than one-third of GDP and, in August, 1979, the latest month for which detailed statistics are available, 64 per cent of imports were of manufactured goods and machinery. Although the barriers to imports were still particularly strong in the first half of 1979, domestic industrial production actually declined by 1 per cent.

The reasons for this poor performance are well known— inadequate investment in basic industries, inadequate support for industries already in place and an extraordinary lack of co-ordination in the planning of the many large industrial projects that do go ahead.

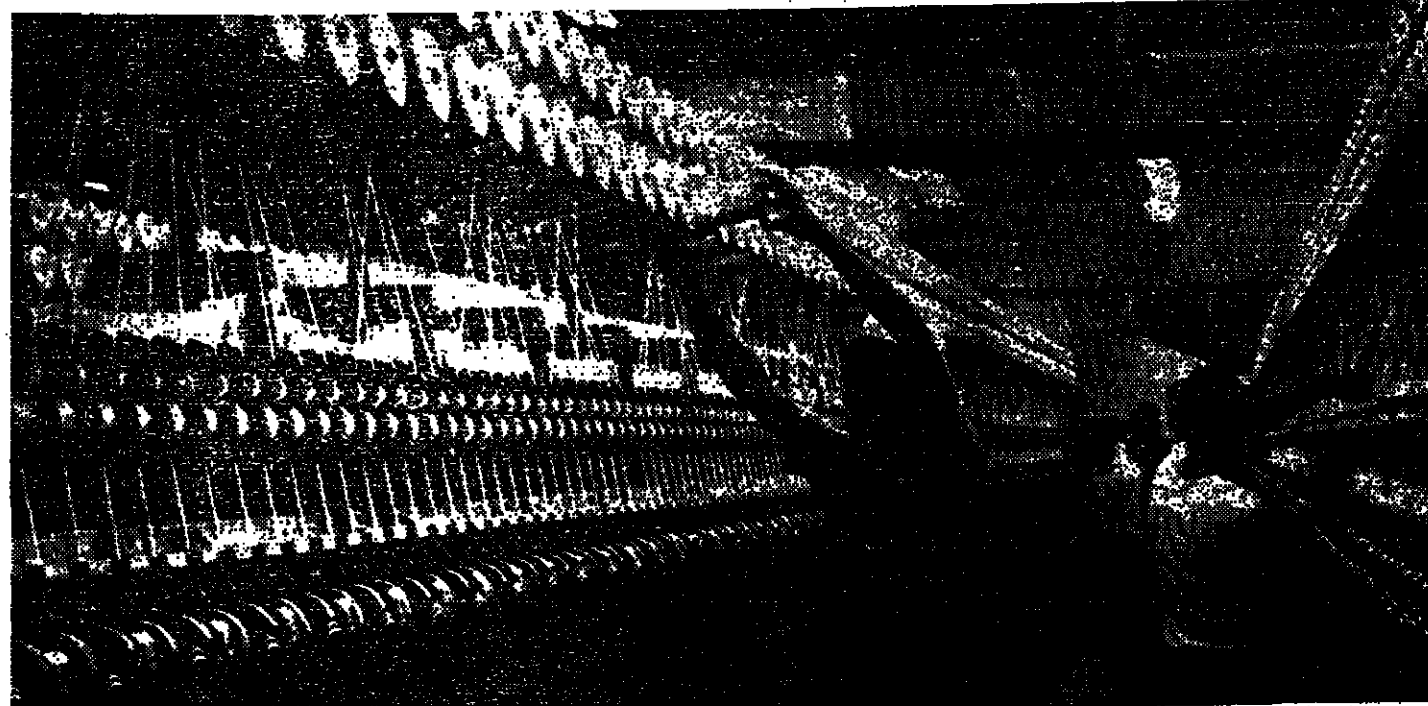
"Most of our projects are not properly linked," Alhaji Abubakar Abdulkadir, the recently appointed managing director of Nigerian Industrial Development Bank, explained in an interview.

"This does not make for a proper economic take-off. The greater part of our machinery, even basic machinery, is still imported. The automotive industry is still basically assembly and not much manufacturing."

The linkages he and other industrial planners are looking for are from raw materials through intermediates to finished products instead of the typical manufacturing operation in which, say, toiletries are made by mixing imported lanolin, wax, perfume and colouring in an imported vat and pouring them into imported jars on an imported assembly line.

Statements of value added in company reports, although few and far between, can be revealing. John Holt, for example, a company in which manufacturing is said to be about 50 per cent of activity, reported value added last year was only 8.5 per cent. The Government's Fourth Plan target for manufacturing as a whole is 55 per cent.

The pure import-substitution manufacturing operation is undoubtedly very expensive for the country but is probably the



The Nigerian Spinners and Dyers works at Kano. The Government is trying to promote the sector by strongly protectionist policies, but smuggling and dumping have forced a number of factories to close.

necessary first step to industrialising. A Peugeot 504 assembled from completely knocked down kits in Nigeria now costs more than N10,000, but the motor sector is one where the Government seems at least to be on the right track.

Starting four years ago, the country adopted a policy of progressive manufacture, whereby designated producers set assembly plants and agree to add more and more local content over a specified period of time, usually 10 years, in return for substantial protection from imports.

In the car sector, the designated manufacturers are Volkswagen and Peugeot while commercial vehicles are assembled by Leyland Vehicles, Fiat, Mercedes and Steyr Daimler Puch. Early this month, Ford, which finally realised that it could no longer export vehicles to Nigeria, joined Steyr in a deal to supply kits for 2,000 trucks a year.

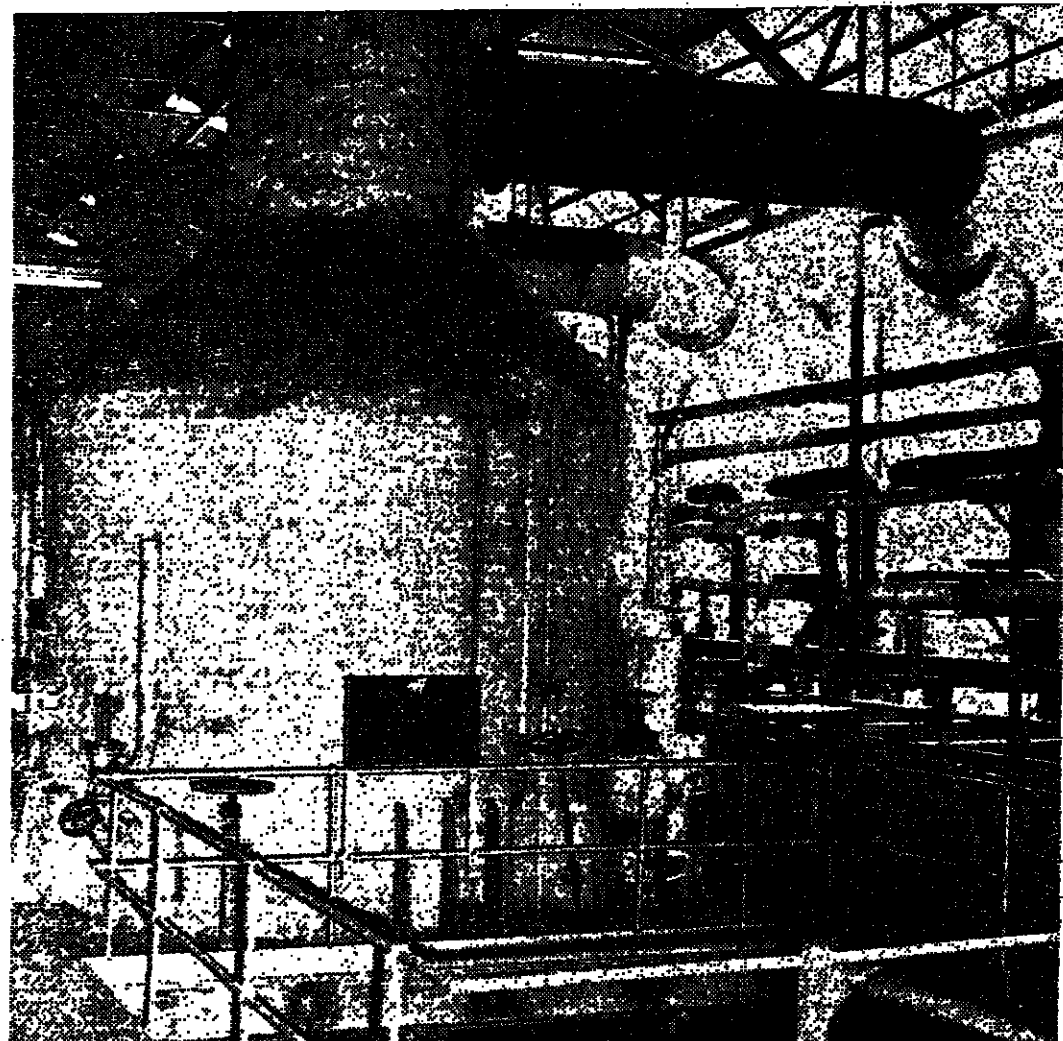
Encouragement

While the motor industry may be a promising one, the execution is already in trouble and not just because the market for all vehicles in Nigeria has been soft for the past two years. Vehicle manufacturers are finding that Nigerians are not interested in starting up small engineering businesses that would become component suppliers. The companies now see no hope of fulfilling their obligations to increase local content as quickly as originally agreed. The Government has acknowledged the problem and is studying ways of encouraging Nigerians into the engineering sector.

A measure of the difficulty can be seen each week in the financial newspaper. Business Times. Each week it publishes a column called Investment Opportunity, which sets out in glowing terms, complete with capital spending requirements, cash flow projections and pro-forma balance sheets, how to set up a business to manufacture, say, nails, concrete blocks, lead pencils or plastic buttons.

But so far there is not much sign of the sort of local entrepreneurship the editors of Business Times are trying to encourage. Instead, Nigerians are more likely to be found imitating the whites by setting up trading and light assembly businesses that demand little investment and provide fast turnover.

Meanwhile, the Government's attempts to develop large basic industries continue to founder. After several years of delay, the military Government granted a contract in July, 1979 to the Russian company, Triziprom, to build an integrated steel complex at Ajaokuta in Kwara state with initial capacity of 1.3m tonnes a year. Production was to begin in 1983 and



The evaporators section of the Nigerian sugar company Bactia, in Kwara state.

capacity expanded to 5.2m tonnes by 1986.

The new Government was suspicious of the project from the start and decided to hire management consultants to review it, although this has not yet happened. The Russians have become increasingly impatient with this and other delays, notably the failure of the Government to let the contract for the basic civil works on the site.

Under mounting criticism and insinuations that he was trying to rearrange patronage on Ajaokuta-related contracts, the minister responsible for steel, Mr. Paul Alongo, was re-assigned last month and then resigned from the Cabinet a week later.

Given the high cost of the project, now estimated to reach a numbing N3bn, its ultimate value to the economy has been questioned by the World Bank, among others. However, there seems little doubt that the Nigerians are going to go through with it. At least the country has the demand, estimated to reach 4m tonnes a year by 1985, to support Ajaokuta and other steel projects.

There are several other smaller steelmaking projects in the works, including one launched by the Lagos state

Government on the laudable grounds that it would help clear the city of scrap. But only one, a N400m direct reduction plant at Warri with capacity of 1m tonnes, is well advanced and likely to begin production of continuous castings early next year.

As for chemicals, it is difficult to understand why Nigeria did not move quickly, like other OPEC countries, to develop basic petrochemical industries when the price of oil soared in 1974.

The country still has no production of olefins and aromatics and is a huge importer of synthetic resins and fibres, both as intermediates for industry and as finished products.

In the related pharmaceutical sector, the picture is similar. Although turnover is estimated at N200m a year and is growing rapidly, about 85 per cent of the country's needs are imported and only 10 of 35 international companies active in Nigeria have begun modest local production.

The rest of industry in Nigeria is patchy. The paper and board sector is unusually well developed and integrated with the only problems being inadequate capacity and a declining forest reserve.

Reforestation programmes are in their infancy but, given the

country's climate, could probably be intense. Among major projects under way are a N80m expansion of the Jaba paper mill in Kwara state to 65,000 tonnes a year due for completion next year and a N162m project to produce 10,000 tonnes of newspaper a year in Cross River state starting in 1981.

Building materials are also well represented, with substantial timber, particle board and sash and door manufacturing under way. The fourth plan establishes cement as a priority sector although the country already has substantial capacity, exceeding 4m tonnes a year. Only small quantities, about 0.5m tonnes, are imported. It is also difficult to understand the current enthusiasm for red brick works, given the extra energy required to make bricks (as opposed to cement blocks), the extra skill required to lay them and the good roads needed to transport them safely.

The textile sector is another that the Government has tried to promote through a strong protective policy. Imports of grey cloth have been banned and the Government has served

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Good result from BL's plant

LEYLAND

LIKE most large projects in Nigeria, the N75m Leyland truck and four-wheel-drive vehicle assembly plant at Ibadan has not developed according to plan.

The plant was supposed to begin full operation in March, 1979 and move quickly into metal stamping and metal manufacture as the first steps towards raising local content to 100 per cent over 10 years.

In the event, the company did not begin selling its products until December, 1979, because of a row with the Government over factory-gate prices, and production build-up has been slow because of soft market conditions.

Further additions to local content have been postponed because the other four commercial vehicle manufacturers in the country have been dragging

their feet and the Government has been surprisingly indulgent so far.

The good news is that Leyland's Nigerian-assembled products are beginning to sell well and the operation as a whole is producing excellent results for both BL and Britain.

For its modest N6m equity investment in the project, BL will export about £32m worth of parts to Nigeria this year, rising to an estimated £80m next year. Leyland claims already to be the largest single exporter from Britain to Nigeria.

The Ibadan project is part of a major programme developed four years ago by the Nigerian Government to promote local commercial vehicle manufacture.

Four companies, Leyland, Fiat, Daimler-Benz and Steyr, were selected to become what the Government called "progressive" manufacturers. Early this month, Ford joined up with Steyr and expects to supply kits from Britain for 2,000 trucks a year worth £15m.

"For its modest N6m equity investment in the project, BL will export about £32m worth of parts to Nigeria this year, rising to an estimated £80m next year."

The idea was that they would benefit from major Nigerian participation in financing and generous tariff protection in the market provided they followed a rigorous schedule of increasing local content. In Leyland's case, the Government and a few large Nigerian institutions took 60 per cent of the equity and arranged the remaining N60m in low-cost loans.

In 1978, the market was estimated at 30,000 vehicles and the plants were built with capacity of about 7,000 trucks a year each, leaving room for imports of special purpose vehicles. Subsequently, the Government decided to continue supporting a long-existing Bedford truck assembly plant, permitting an expansion of it to a capacity of 8,000 trucks a year.

Meanwhile, following the severe austerity measures taken by the military Government in 1978 to bolster foreign reserves, the truck market collapsed. The total industry volume this year is estimated to be only 14,500 vehicles. Leyland estimates it will sell only 1,400 trucks this year plus 2,800 Land-Rovers and Range Rovers, resulting in a N2.3m trading loss on turnover of N57m.

Like all capital goods manufacturers, Leyland is already feeling a resurgence in demand following the new Government's expansionist budget. In July, the company sold a record 460 vehicles for N6m. The company expects truck volume next year to rise to about 24,000 vehicles and is confident it will sell 6,000 plus 5,000 Land-Rovers and

Range Rovers to produce turnover of N140m and a first profit. Currently, the plant is assembling 12 Land-Rovers per shift, which is said to be a better rate of production than that achieved in the UK, but only 2.5 Range Rovers per shift. This is expected to double by next month.

Only six WF trucks are being produced per shift because of soft demand, as against a potential of 12.

The plant makes only four Albion trucks per shift also because of soft demand and qly recently shut-out import competition. Assembly of the new Landtrain model has begun recently and is expected to reach four trucks per day soon.

As for local content, both Leyland and the Unilever affiliate, UAC of Nigeria, which operates the Bedford assembly plant, claim to have reached the 30 per cent level.

However, all further progress is halted while a joint industry-Government committee looks into the difficulties of local sourcing. Government officials admit that progress has not been as rapid as they had hoped, but they remain optimistic that, with co-operation, lost time can be regained in later years of the agreement period.

Officials recognise that costs of local production tend to be prohibitively high and they are looking at what incentives and tax reliefs might encourage more local entrepreneurs to launch parts manufacturing businesses. They also think that it should be possible to standardise some parts for all five manufacturers, which would help reduce unit costs.

I.R.



Land-Rovers from the production line at the Ibadan plant. Although a trading loss of N2.3m is expected this year, demand is recovering quickly thanks to the federal Government's expansionist budget

Outlook far from bright

CONTINUED FROM PREVIOUS PAGE

notice that imports of yarn, of which only 10 per cent is produced locally, will be banned in 1983. However, an escalating rate of dumping and smuggling has left the sector in considerable disarray, causing a number of recent plant closures. In the first seven months of this year, nearly 1,500 workers in the sector were laid off.

One industry that is well developed and growing rapidly is the brewing industry. The country has 17 breweries in operation and six more under construction, but brewers still do not see the gap between demand and supply closing. According to one estimate, Nigerians are near the bottom of the African league when it comes to beer, consuming only eight litres per capita per annum.

The main obstacle to a much faster rate of industrial development in Nigeria is probably the incoherence of the range of Government policies that affect industries. The perennial shortage of beer, for example, could be alleviated if price controls were applied more sen-

sitively. The industry won its first increase in two years, only 12.1 per cent, last June.

On a more substantial level, the country could and should be an exporter of rubber and cotton-based products. However, the Government will not allow the value of imports to be offset against exports and thus companies have no incentive to export. An export promotion body was set up three years ago but officials admit it has not done much.

Many sectors, especially the textile sector, suffer from the wide availability of smuggled imports or periodic changes in the Government's protective tariffs.

The Government acknowledges that smuggling is a problem, although Mr. Isaac Shaahu, Minister of Commerce, said in an interview that he thinks most reports are exaggerated. Officials point out that Nigeria has a long border that is difficult to patrol and is surrounded by Francophone countries that allow a lot of imported goods. They also argue rather cynically that less foreign exchange is lost on smuggled imports than on officially sanctioned purchase of imports.

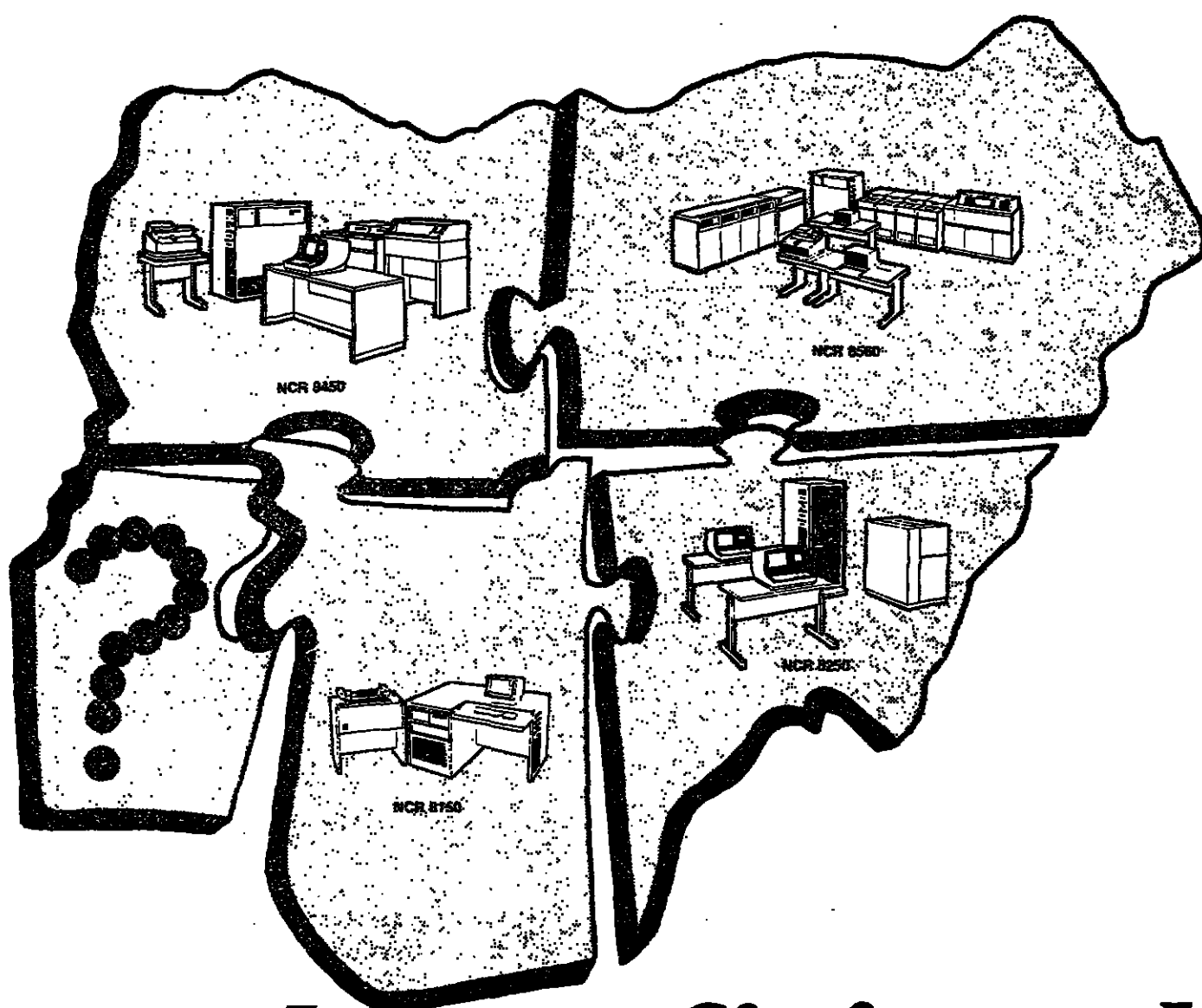
Last June, the Government showed it could respond quickly

to market forces by announcing that it would open the way for imports of some 74 products that it suspected would soon be in short supply and thus adding to inflation. However, a fight then followed over whether import licences should be given to any and all traders or, as would seem more sensible, to companies that already manufacture in Nigeria but are short of capacity.

Although the new Government wants to encourage foreign investment, a curious interpretation of the industrial companies indigenisation decree is stifling some companies' plans. According to this interpretation companies in Schedule Two (those allowed up to 40 per cent foreign ownership) that seek to invest their surpluses in new Schedule Two businesses must take on a new 60 per cent Nigerian partner.

In other words, for the purposes of the new company, the sponsoring company is considered to be 100 per cent foreign rather than only 40 per cent foreign. A determined lobby by businessmen has met only modest understanding in the Government so far on this issue.

I.R.



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NIGERIA XVIII

INDUSTRY



"But you must drink it here" . . . bottles are at a premium in Nigeria thanks to the bottlers' policy of buying as few new ones as possible

'May we never want a friend in need
—nor a bottle to give him'—Charles Dickens.

BOTTLES

A GREAT commercial mystery is where all the bottles go.

Like every newcomer, I went to a shop one day to buy a bottle of ginger ale. Yes, I could have one provided that I drank it on the premises. If I wanted to buy a case to take home, I would have to bring in a case of empties first.

I quickly discovered that it is very difficult to find someone who will sell empty bottles, and when you do find him under a bridge somewhere, he will demand perhaps £8 for a case of 24 bottles.

In Nigeria, bottles pass from father to son, are included in estate sales and perhaps even dowries. In the soft drink category, ginger ale bottles can be exchanged only for ginger ale and tonic bottles only for tonic. However, a colleague discovered that Cocoa Cola bottles carried a slight premium and

could be used as a sort of reserve currency convertible into any other brand. Beer bottles are slightly less in demand, presumably because they are standardised. A case of 12 empties can be purchased relatively easily for a mere £4.

Why do bottles have such outrageous value? Ask a merchant and he will tell you that it is 'the fault of the Government for blocking imports. He is wrong. Imports of beer bottles are banned but imports of soft drink bottles are not. In any event, the domestic production of glass bottles is more than adequate to meet demand. The grounds surrounding the bottle-making plant of Metal Box Togo Glass stock enough bottles of all kinds to eliminate all shortages.

A few bottlers refuse to buy a normal quantity of bottles because they want to save working capital. They prefer to oblige customers to recycle bottles as fast as possible. Other bottlers would be willing to invest more in bottles but realise it would be a waste of time because it would only incite competitors to buy fewer still.

Owners of new breweries, for example, have been known to offer distributorships to anyone who brings in 1,000 bottles.

Metal Box Togo Glass once tried to go around the parsimonious bottlers by selling directly to the frustrated public. On the beer side, all that happened was

that the brewers sucked up the new free supply and reduced their own buying.

On the soft drink side, the bottlers complained that Nigeria's ever-resourceful street traders were picking them up and filling them with counterfeit product.

I.R.

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BATTERIES

THE PRICE and availability of batteries is one of Nigeria's many commercial mysteries.

At times, they can be found in shops at relatively normal prices, say, 50k for the standard U-2 flashlight battery.

At other times, the shops are empty but batteries can be found on street traders' stalls for up to 75k apiece.

Although imports of U-2s have been banned for two years, it is not unusual to see Nigerian and foreign-made batteries of the same brand selling side by side on the street.

"Batteries are a commodity in Nigeria," Mr. Colin Smith, general manager of Berec International Sales Nigeria, explained.

Like Bournvita, Peak brand evaporated milk and a few other products, batteries have become a near-essential item for most Nigerians, especially in the suburban and rural areas where there is no electrical service.

As such, batteries are easy prey for opportunistic traders and are frequently hoarded by consumers fearing shortages.

The overall market is estimated at about 300m U-2 batteries a year. Growth rates and potential are huge but impossible to assess with any precision partly because of variations in illegal imports and partly because of frequent shortages of radios and other gadgets

Nigerians would like to buy and operate with batteries.

Berec is by far the largest manufacturer in the country with a factory in Lagos that it has not been able to expand rapidly enough to keep up with demand and a second one under construction in Kaduna that will double its capacity.

Berec's recent profit growth in Nigeria has been handsome, rising from N1.9m in 1975-76 to N4.1m in 1979-80 before tax. Turnover has grown from N9m to N26.6m in the same period with two thirds of sales being batteries manufactured in Nigeria and the remainder imports of special-use models.

Until this year, only three small local manufacturers, Bristar, Wahum and Fortune, have competed with Berec while smuggled imports have appeared whenever shortages have been severe.

This month, however, the largest battery manufacturer in the world, Union Carbide, makes its entry in the market with the opening of a N15m factory at Kano designed to match Berec's production.

Does this mean there is suddenly going to be a surfeit of batteries in Nigeria and a round of price cutting?

Not likely, according to Frank T. Wood, Union Carbide's project co-ordinator. "We should not touch each other at least until 1985."

Mr. Smith is less sure, given the Government's recent decision to allow some importing of U-2s to resume.

Fortunately, the Government is also allowing more imports of radios, cassette players, toys and other gadgets likely to consume batteries.

I.R.

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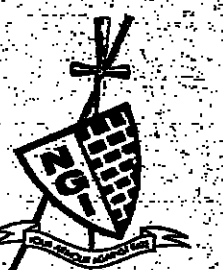
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مكتبة العمل

NIGERIA XIX

AGRICULTURE

Self-sufficiency is the aim

Nigeria is about to embark on a programme costing hundreds of millions of Naira aimed at reviving the flagging agricultural sector. Ministers say that next January's budget will contain a huge increase in the federal allocation to agriculture to coincide with the start of the Government's food plan for the eighties—the Green Revolution.

AGRICULTURAL experts in Nigeria have grave reservations about how successful the plan will be. They point out the failure of previous attempts at stimulating agriculture—Operation Feed the Nation and the National Accelerated Food Production Programme—neither of which produced any significant improvement in the sector.

They accept that the Green Revolution plan has been better thought out than its predecessors but say it is bound to run into similar constraints. They foresee problems of coordination between the federal and State authorities—especially those not controlled by the ruling National Party of Nigeria—and unless there is considerable help from outside the country there will also be problems finding the necessary trained manpower.

None the less, President Shagari came to power with a firm commitment to reverse a decade of decline in agriculture. With the impact of the oil boom, outsiders tend to forget that Nigeria remains essentially an agricultural country with some 70 per cent of its 80m to 100m people depending on the land for a living. Despite its crucial role in the economy, successive governments have paid little service to its importance while allocating resources elsewhere.

Demand grows

The result has been that Nigeria, once a major exporter of agricultural commodities such as cocoa, rubber, oil palm, cotton and groundnuts, is now a net importer of practically everything. Overall, food demand has been growing at an estimated 3.5 per cent a year while agricultural output has managed a desirous 1 per cent annual increase. Nigeria could need to import some 2.65m tonnes of grains this year—primarily wheat, rice and sugar—and 0.48m tonnes of livestock products. At the rate the country could be importing as much as 5.2m tonnes of grain and other non-meat products by 1985.

The Shagari Government is convinced that it can reverse the trend and make Nigeria self-sufficient in food crops in five years and self-sufficient in cash crops in seven years. That conviction is based largely on the fact that Nigeria's low productivity and vast tracts of uncultivated land leave a lot of room for improvement.

The Third National Development Plan estimated that the country's total land area (98.3m hectares), only a third was under cultivation. Agronomists have found that with improved seeds, and access to fertiliser, pesticides and insecticides at the right time, yields can be increased up to five times for traditional crops.

The team of experts from Nigeria and the World Bank who drew up the Green Revolution programme remain sceptical. They say the chances of

reaching the Government's targets are "highly unlikely" although a substantial increase in production of maize, sorghum and cassava could compensate for shortfalls in other crops.

The details of the plan are discussed in a later article. It proposes sweeping reforms of the agricultural sector, rejects much of the thinking of previous administrations and concentrates on improving the lot of the smallholder who accounts for an estimated 97 per cent of agricultural production.

The document is still being considered by the Government and is subject to modification both at this stage and when it is put to Parliament. The appeal of the plan to President Shagari's administration is threefold. First, his Government will be alive to the political wisdom of spreading the benefits of Nigeria's oil wealth to a wider agricultural electorate. The deterioration in rural/urban terms of trade, though not accurately documented, have been painfully visible since the oil boom.

Secondly, by achieving a transfer of resources to the rural sector and raising living standards in the countryside, the Government hopes to get to the heart of one of the most pressing social problems of developing Nigeria—the drift from the land to the towns. If living standards can be improved in the rural areas, President Shagari's administration believes that the drift to the cities can be slowed.

The third recommendation for a substantial investment in agriculture is to ensure that when Nigeria's main wastage—its oil—runs out, the country has something else on which to depend. Gas and industry are being promoted but President Shagari has frequently said that Nigeria's future will only be secure if it can guarantee the health of the agricultural sector.

That is why, according to the federal Minister of Agriculture, Alhaji Ibrahim Gusau, the Government did not want to move ahead until a proper framework had been created to tackle the problems. Last April's budget, which covered the nine months to the end of this year, gave agriculture Naira 24.4m (£20m) for recurrent and Naira 260m (£210m) for capital expenditure.

But soon after assuming office the Shagari Government announced a crash programme for agriculture costing Naira 18.3m (£14m) to try and get something moving immediately and forestall its critics. The programme was dismissed in some quarters as political gimmickry. One of its main boasts was that approval had been given for the import of some 500,000 tonnes of fertilisers, but because of bureaucratic ineptitude the fertiliser was delivered more than two months late for the planting season and as a result much of it will not have any impact on the harvest.

But the programme did provide for the import of 500 tractors to be distributed among the States, which were expected in turn to pass them on to co-operative societies or farmers' unions. It also gave Naira 2.3m (£2m) to the States so that each could clear a minimum of 4,000 hectares for large-scale farming enterprises.

Groundnut farmers got an allocation of Naira 2m (£1.7m) worth of improved seeds which were to be distributed to them at subsidised prices. Higher producer prices were announced for most of the major crops in plenty of time for the farmer to decide where his best investment lay before planting. For

civil war; 3—those associated with the country's broader socio-economic changes including the impact of oil wealth, and government economic policies.

The most intractable of the historical problems is Nigeria's tangled land tenure system. Most farming is done on smallholdings of two to five acres (up to two hectares) which are practically impossible to mechanise or rationalise into larger units. The 1978 Land Use Decree was an attempt at putting some sense into the system by effectively nationalising all land.

The decree gave the then military governor of each State the right to issue certificates of occupancy to those who had customary rights (usually on agricultural land) or statutory rights to a particular plot. The governor has the right to take over any land for public use. Individual occupancy was limited to one half hectare of undeveloped urban land, 500 hectares of land for agricultural purposes and 5,000 hectares of land for grazing.

That decree has proved difficult to apply because of the great sensitivity of the land question. The Government of President Shagari is reviewing the whole question so as to produce a law which would be easier to put into practice. However, it is certain that any law strong enough to be effective would prove highly unpopular.

In the second category no crop has suffered more from natural disasters than groundnuts. Annual average production has fallen from more than 500,000 tonnes in 1972 to a mere few thousand in past years. The groundnut crop was decimated by the Sahelian drought between 1972 and 1974 and the groundnut belt has since moved about 100 miles south. Immediately afterwards, groundnuts were hit by two successive years of Rosette disease.

The Marketing Board has been particularly inoperative, buying only 50 tonnes two years ago because its prices were so low. But the purchasing figures do not reflect the real crop, which is being sold increasingly to the local markets where the prices are higher and across the border with Niger for a "hard" currency—the CFA franc.

The civil war particularly hit the plantation crops—rubber and oil palm. The Ministry of Agriculture estimates that only

COMMODITY PRICES

(April 1980)

Commodity	Price per tonne	Naira	String.
Sorghum	210	175	
Millet	220	183	
Maize	200	166	
Rice (paddy)	329	274	
Rice (milled)	570	475	
Beans	345	287	
Wheat	235	196	
Soya beans	150	125	
Benniseed	315	262	
Ginger (split)	450	375	
Ginger (peeled)	650	542	
Sheanuts	100	83	
Groundnuts	420	350	
Cotton	400	333	
Kenaf	431	359	
Rubber (latex)	420	350	
Rubber (processed)	690	575	

Source: Federal Ministry of Agriculture

the livestock producers there was a special import of vaccines and 1,000 breeding cattle. On fishing, the Government approved the purchase of 45 medium-sized fishing trawlers from Poland, while nine sites have been identified for the development of inland fisheries for large-scale fish farming.

The programme went some way towards alleviating a few of the problems faced by agriculture. But only with the implementation of the Green Revolution plan do agricultural experts see any hope at all for a revival.

"It's no good just tackling one aspect of the problem in isolation, you have to look at it in its entirety," said one agronomist. To do that it is necessary to divide the problems of Nigerian agriculture into three broad categories:

- 1—historical problems connected with the sector;
- 2—those which have arisen from natural disasters and the

CONTINUED ON NEXT PAGE

WHERE TO GO FOR INFORMATION

THE STATES: State Ministries of Agriculture and related bodies, River Basin Development Authorities and Commodity Boards

Anambra
State Ministry of Agriculture: Mr. R. J. Achibue, Perm. Sec., Enugu. Anambra State Agricultural Development Corporation: General Manager, PMB 1024, Enugu. Anambra State Nigerian Tubar and Roots Crop Board: General Manager, 114, Club Road, PMB 1047, Enugu, Anambra State.

Bauchi
State Ministry of Natural Resources: Alhaji Mohammed Umar, Perm. Sec., Bauchi, Bauchi State.

Bendel
State Ministry of Agriculture and Natural Resources: Perm. Sec., Benin City, Bendel State. Bendel State Food Production Board: General Manager, Sapele Road, Benin City, Bendel State.

Benue
River Basin Development Authority: Mr. J. A. Ewaka, General Manager, Central Road, GRA, PMB 1361, Benin City, Bendel State. The Nigerian Rubber Board: General Manager, 20, Iyobosa Street (off Owasohi Street), PMB 1048, Benin City, Bendel State.

Bozue
State Ministry of Agriculture and Natural Resources: Mr. E. A. Odu, Perm. Sec., Makurdi, Benue State. Agricultural Development Corporation: General Manager, PMB 2121, Makurdi, Benue State. Lower Benue River Basin Development Authority: Mr. Adenle, General Manager, PMB 2185, Makurdi, Benue State.

Borno
State Ministry of Agriculture and Natural Resources: Perm. Sec., Maiduguri, Borno State. Chad Basin Development Authority: Alhaji Kallu Isah, General Manager, PMB 1130, Maiduguri, Borno State.

Cross River
State Ministry of Agriculture and Natural Resources: Perm. Sec., Barracks Road, Calabar, Cross River State. Cross River State Agricultural Development Corporation: General Manager, 2, Barracks Road, PMB 1024, Calabar, Cross River State. Investment Trust Company: Managing Director, 1A, Barracks Road, PMB 1117, Calabar, Cross River State.

Delta
River Basin Development Authority: Mr. I. Ndeayo, General Manager, 32, Target Road, PMB 1248, Calabar, Cross River State.

The Nigerian Palm Produce Board: General Manager, Atlantic House, Thomas Henshaw St., PMB 1254, Calabar, Cross River State.

Gongola
Ministry of Agriculture and Natural Resources: Perm. Sec., Yola, Gongola State. Upper Benue River Basin Development Authority: Alhaji M. Abubaki, General Manager, Airport Road, Jirafa, PMB 2086, Yola, Gongola State.

Imo
State Ministry of Agriculture and Natural Resources: Perm. Sec., Owerri, Imo State. Imo State Agricultural Development Corporation: General Manager, Owerri, Imo State. Anambra/Imo River Basin Development Authority: Mr. Otonkwo, General Manager, Oligwe Road, PMB 1301, Owerri, Imo State.

Kaduna
State Ministry of Agriculture: Perm. Sec., Kaduna, Kaduna State. State Ministry of Animal and Forest Resources: Perm. Sec., Kaduna, Kaduna State.

Kano
State Ministry of Agriculture and Natural Resources: Perm. Sec., Kano, Kano State. Hadjia Jamaru River Basin Development Authority: Alhaji Mohammed Rufai, General Manager, 11, Ahmadu Bello Way, PMB 3168, Kano, Kano State. The Nigerian Groundnut Board: General Manager, Kano, Kano State.

Kwara
State Ministry of Agriculture and Natural Resources: Perm. Sec., PMB 1383, Ilorin, Kwara State. Niger River Basin Development Authority: Mr. M. S. Ayinmodu, General Manager, Km2 Jabbu Rd., PMB 1528, Ilorin, Kwara State.

Lagos
State Ministry of Agriculture and Natural Resources: Perm. Sec., Ikeja, Lagos State.

Niger
State Ministry of Agriculture and Natural Resources: Perm. Sec., Minna, Niger State. The Nigerian Groundnut Board: General Manager, 28, Nassarawa Ward, PMB 17, Minna, Niger State.

Ogun
State Ministry of Agriculture and Natural Resources: Perm. Sec., Abeokuta, Ogun State. Ogun-Oshun River Basin Development Authority: Dr. Lekan Aye, General Manager, PMB 2115, Abeokuta, Ogun State.

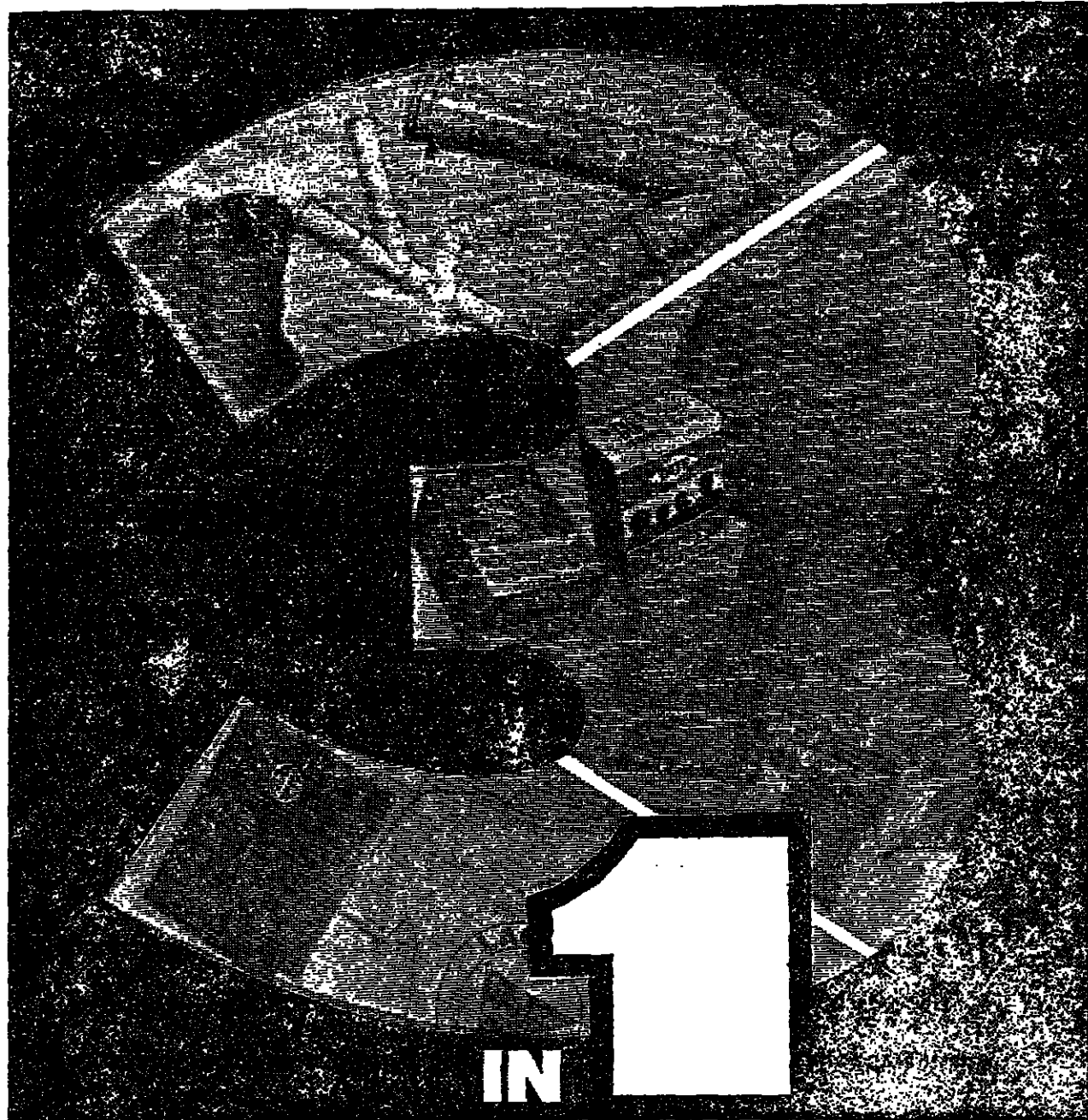
Ondo
State Ministry of Agriculture and Natural Resources: Perm. Sec., Akure, Ondo State. Ondo State Investment Corporation: General Manager, Akure, Ondo State. Ondo State Agricultural Credit Corporation: General Manager, Ado-Ekiti, Ondo State.

Oyo
State Ministry of Agriculture and Natural Resources: Perm. Sec., Ibadan, Oyo State. The Nigerian Cocoa Board: General Manager, Cocoa House, PMB 5032, Ibadan, Oyo State. Ogun-Oshun River Basin Development Authority: Dr. Lekan Aye, General Manager, PMB 5674, Sheli Close, Onirake, Ibadan, Oyo State.

Plateau
State Ministry of Agriculture and Natural Resources: Perm. Sec., PMB 2050, Jos, Plateau State.

Rivers
State Ministry of Agriculture and Natural Resources: Perm. Sec., Port Harcourt, Rivers State. Reason Palm Company: General Manager, PMB 5837, Port Harcourt, Rivers State. Delta Rubber Company: General Manager, PMB 5837, Port Harcourt, Rivers State. Niger Delta Basin Authority: Mr. J. D. Briggs, General Manager, 5, Nasamdi Azikiwe Road, PMB 5676, Port Harcourt, Rivers State.

Sokoto
State Ministry of Agriculture and Natural Resources: Perm. Sec., Sokoto, Sokoto State. Sokoto Rima Basin Development Authority: PMB 2223, Sokoto, Sokoto State.

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NIGERIA XX

FARMERS ARE LEFT SHORT OF LABOUR

The most profound changes in Nigeria's agricultural face are related to the broader socio-economic changes of a country which has gone through a great upheaval during the past decade.

CONTINUED FROM
PREVIOUS PAGE

40 per cent of rubber trees are still being tapped, giving an annual production figure of around 40,000 tonnes, about 25 per cent of which is consumed by the local market.

The big domestic consumers of rubber — Dunlop, Michelin and Bata — produce some of their own rubber on a plantation basis. But the smallholder suffers from a lack of skill according to the Marketing Board, and tends to cut too deep into the trunk, eventually killing the tree.

Oil palm is a similar story, with an increasingly large percentage of the production coming from estates as the small farmers—many of them in the east—abandon the palm. The trees have got too tall for the fruit to be easily harvested and the farmers have found they get a better return from food crops. As a result, Nigeria is now a net importer of palm oil.

But the most profound changes in Nigeria's agricultural

face are related to the broader socio-economic changes of a country which has gone through a great upheaval during the past decade. Oil money is at the heart of the problem but it has been compounded by the Government's policy of keeping the naira over-valued — thereby making imports more competitive — the lack of any coherent policy towards the agricultural sector to encourage production and bureaucratic incompetence as bad as any in the Nigerian civil service.

The groundnut crop again serves as an example as to how the country's agricultural output is changing. The drift of the young towards the cities to find work has left the groundnut farmer unable to find labour for what is a labour-intensive crop. What labour there is has become increasingly expensive because of the competition from the urban areas.

Against that background, successive governments have failed to come up with any comprehensive policies to tackle the problem. The sector has suffered from a lack of appropriate research facilities despite the

efforts made by such institutions as the Ibadan-based International Institute for Tropical Agriculture.

The farmer has suffered from poor extension services — or none at all. In the guidelines to the Fourth National Development plan it is estimated that the ratio of extension workers to farmers in Nigeria is 1:2,500 compared with 1:200 in India and 1:250 in Kenya.

He has also been unable to market his crops because of the inadequate physical infrastructure — the lack of feeder roads — and his inability to reach markets because of transport difficulties. Less than 10 per cent of feeder roads served by the Government have been all-weather, well-drained roads and so become unusable during the rainy season.

Government policies have also failed to get credit to the smallholder. The Government's Agricultural Credit Guarantee Scheme is generally considered a failure because it gave Government backing to only a certain percentage of commercial bank loans to agriculture. Although the present Government has stepped up cover, the commercial banks argue that even a percentage of a bad loan is still a bad loan.

Under Government credit

guidelines the banks are obliged to give a minimum of 6 per cent of their total loans to the agricultural sector. Most of them have achieved the target by lending to State and private sector large-scale projects or schemes which favour the richer farmers.

In sum, as the Minister of Agriculture said in a speech last December: "Farming has become progressively unattractive and unproductive and remains characterised by inadequate capital, lack of suitable technology, inadequate supply of farm inputs, including credit, and scarcity of farm labour which has been worsened in recent years by the migration of young men and women from rural areas to the cities. These critical constraints still exist despite the enormous efforts in recent years to boost food production."

"This administration has a responsibility to arrest this unhealthy trend. It will do this by investing more in agriculture. More important, it will carry out policy and institutional changes in order to minimise inefficiency and waste and make these investments much more productive."

How the Government hopes to achieve that is set out in the next article.

M.W.

Smallholders have key to success

"IF THIS country's worsening food problem is to be solved within the shortest possible time, old policies should undergo close review. Radical policy revisions are suggested and new areas that were traditionally not the responsibility of the agricultural establishment are strongly recommended... some of our suggested changes may not be popular in some quarters within the agricultural establishment..."

So runs the introduction to Nigeria's plan for boosting food production—the Green Revolution. The document, drawn up by a joint team of experts from Nigeria and the World Bank, is now being discussed within Government and will eventually form the basis of Nigeria's strategy of agriculture throughout the 1981-85 Fourth National Development Plan and beyond.

Although the document is subject to modification before it is adopted as official policy, it is broadly in agreement with the views of the ruling National Party of Nigeria as outlined in its election manifesto. There is, therefore, little doubt that the scheme will become official Government policy as from January 1, 1981.

It is an ambitious document which draws heavily on the ideas of the World Bank as given in the 1978 Agricultural Sector Review. But as the head of the team, Professor F. S. Idachaba of the University of Ibadan points out in his letter of introduction at the start of the report, it will need the sustained political will of the Government if it is to succeed.

Quick work

The report was completed in May this year—a remarkably quick piece of work considering that the new government was only installed in October 1979. Agricultural experts say it is all the more remarkable given the wide ranging terms of reference which the team was set. They were asked to consider among other things:

1—The level of production of Nigeria's main crops and actual national requirements up to 1985; production targets up to 1985; production bottlenecks; broad programmes to reach production targets; specific projects which could be carried out within the broad programmes; requirements for improving physical infrastructure in the rural areas; cost-effective ways of carrying out the programmes; institutional reforms; the supply of inputs, produce marketing and pricing; the roles of the federal, state and local governments in agriculture; the total cost and manpower requirements.

In answer to these demands, and bearing in mind the Government's desire to make Nigeria self sufficient in food crops in five years and self sufficient in cash crops within seven years, the team came up with a scheme which concentrated on the small holder. It presented six essential recommendations to the Government in its report.

1—With the smallholder at the centre of policies, minimum reliance should be put on Government companies and parastatals for food production and distribution.

2—Accelerated Development Areas should be declared in all parts of the country not already covered by integrated Rural Development Projects.

3—The private sector should handle inputs procurement and distribution.

4—The federal Government should make massive allocations of funds to developing rural infrastructure—feeder roads, on-farm storage, on-farm processing, minor irrigation works, rural and urban food market facilities.

5—Rationalisation and harmonisation of subsidies to agriculture and an overhaul of the pricing mechanism.

6—Better planning and co-ordination between Ministries and related bodies. Better pro-

ject identification, appraisal, monitoring and evaluation techniques.

The basic techniques which the report recommends should be adopted are: soil and water conservation measures; land use suited to its natural capacity to grow different crops; water harvesting; minimum tillage; recycling organic waste; and vegetation cover to stop soil erosion.

The report tackles individual issues in the following way:



Alhaji Ibrahim Gusau, Federal Minister of Agriculture: "farming has become progressively unattractive and unproductive."

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Accelerated Development Areas: Following the success of the Rural Development Projects which were launched in conjunction with the World Bank in 1975, the plan recommends that some of the best features of those projects should be applied to the entire country—improved extension services, input distribution and rural feeder roads.

As in the other development projects the scheme would be based on local government council areas. With an average of 16 local government area councils in each state, they will be split into four zones each with a zonal manager. Each local government area would in turn be split into four blocks and each block into eight extension cells or units. The model local government area would contain 25,000 families giving an average of one extension worker to 800 farming families.

The projects will be phased so that at least part of each state would be covered by 1981. The total base cost of the scheme is estimated in the report at N244.13m (£203m) which would be split between federal and state authorities. Evaluation and Monitoring of projects: The country would be divided for the purposes of analysis into areas with the same agricultural and climatic conditions. Each would have a regional agricultural development unit with four divisions: planning, monitoring and evaluation, technical services and infrastructure.

Infrastructure: The report says the lack of a good feeder road network is the most serious constraint to agricultural development in Nigeria today. Whereas the ideal minimum feeder road density would be 110m/km², the average density of existing all weather feeder roads is some 4m/km². By concentrating on areas with a high agricultural output potential it would be necessary to build some 25,840 km of road which would give densities varying from 40 to 80m/km² over the country.

The recommended construction period is five years using private sector engineering contractors. Assuming a base cost of N27,070 (£22,558) per km, the cost, with the Naira constant, would be N699m (£582m).

and with 15 per cent inflation it would be N835m (£782m). The federal Government would be expected to meet the cost, but states would establish Feeder Road Boards while a Rural Infrastructure Authority or Unit would co-ordinate building and maintenance.

Inputs: An Agricultural Inputs Supply Corporation would be formed to centralise the procurement of inputs; to conduct market surveys on requirements and use; to collate statistics and to carry out or sponsor research. The Corporation would build up buffer stocks equal to 20 per cent of demand.

Reduction

Until 1985, the report says, Nigeria will import some 95 per cent of its fertiliser requirements which could be some 1.23m tonnes by then. It suggests with the phased reduction of the present 100 per cent subsidy on fertiliser the cost to the Government over the plan period would be some N700m (£583m). But if the present level of subsidy continued it would cost some N143bn (£12bn) during the period of the Fourth Development Plan.

It recommends that the federal Government should build storage for 200,000 tonnes of fertiliser to be kept at four locations around the country. In addition, storage should be built for 150,000 tonnes near the ports.

Seeds: Five or six State Seed Corporations should be founded to help the existing National Seed Service which was launched in 1976. The necessary capital investment to produce enough improved seeds is estimated at N26m (£22m) with N60m (£50m) recurrent costs over five years.

Pest Control: There should be standardisation of pesticides and insecticides now in use and a law should be passed controlling them. There is very little domestic manufacture of pesticides and the Government should therefore assume responsibility for keeping adequate stocks, providing subsidised spraying equipment and other materials.

Mechanisation: The Government-owned Tractor Hiring Units should be phased out and private sector involvement

encouraged. Os-drawn equipment, "intermediate and other appropriate technology" should be encouraged by starting a cost/risk sharing scheme between farmers and government.

Agricultural Credit: The commercial banks should be encouraged to extend their penetration of the rural market further with some strong support from the Government. The IBRD is now conducting a study on how to improve the repayment rate on loans to the smallholder.

Crop storage: Federal Government should establish a strategic grain reserve of some 455,000 tonnes by 1985 and cold storage facilities for 171,000 tonnes of meat and poultry. The estimated cost would be N141 (£117m).

Irrigation: Concentration on small-scale irrigation with substantially more money to be spent on water lifting pumps, flood control and water management. Credit should be extended to the farmer for the purchase of the necessary equipment—estimated cost N100m (£83m).

Reform of Institutions: The Department of Agricultural Cooperatives should undertake a big membership drive to boost the number of people it reaches from 10,000 to 2m by 1985. It should also expand training and develop a co-operative management programme together with the proposed Agricultural and Rural Management Training Institute at Ilorin.

The report also recommends reforms of the National Livestock Production Company, the end to expansion of the River Basin Development Authorities, the establishment of a National Commission on Food and Agriculture and the setting up of agricultural research institutes.

Livestock: Tsetse fly eradication programmes should be stepped up and suitable vaccines should be made readily available. About 5m hectares of grazing pastures should also be set aside in co-operation with the state governments.

Fishing: Government should grant subsidies for fishery imports, invest in infrastructural improvements, and develop canal and riverine communications for marketing fish.

M.W.

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NIGERIA XXI

SOCIAL

Disarray over basic wage

Nigeria's industrial relations are in disarray. Industry and unions are concerned that the acrimony and tension generated by the dispute over a minimum wage should result in an agreement which will minimise friction in the future.

UNIONS

ABOUT 100 pregnant women sat forlornly on the steps of Nigeria's National Assembly in Lagos. They had come from all over town to protest at the lack of health care since nurses had all gone on strike nearly a week earlier. One woman had even given birth at the hospital gates with the help of relatives and passers-by, according to a newspaper report.

The strike by nurses, which forced thousands of people to go home for treatment, was typical of the chaos in Nigeria's industrial relations. According to the nurses' leaders, the strike could have been avoided if the employers had been more prepared to listen. When it was suspended after 11 days, the outcome was inconclusive and the nurses were threatening to go on strike again.

The nurses' strike got more publicity than most of Nigeria's industrial action, but labour unrest is a serious problem. In the first nine months of civilian rule from October 1978, there were 247 officially registered trade disputes involving 144,886 workers and resulting in the loss of more than 1m man-days. In addition, there were sporadic, short-lived wildcat strikes.

The Ministry of Employment, Labour and Productivity says the main causes of disputes were Christmas bonuses, transport and housing allowances, overtime payments and improved conditions of service. But behind them all, the Ministry admits, is a lack of



Workers extending the Ogun State Hotel in Abeokuta: The new minimum wage of N100 a month is already stretching the budgets of all 19 states. The union's demands for a N300 wage are being resisted by private and public employers

dialogue between management and workers, the poor organisation of the national bodies representing both sides and the lack of a clear policy on handling industrial relations by the new Government.

Nowhere has the disarray in Nigeria's industrial relations been more apparent than in the negotiations over a national minimum wage. Both industry and unions are concerned that the acrimony and tension

generated by the dispute over a minimum wage should result in a joint policy on how to avoid unnecessary friction in the future.

President Shagari's Government was committed to establish a national minimum wage under the Constitution and he duly announced one in his April budget this year. But the announcement caused an immediate future in the private sector which accused the

Government of trying to dictate a wages policy without sufficient prior consultation.

The Government had to back down and make it clear that the new minimum wage would only apply to the public sector. It then hastily convened tripartite talks between unions, employers and Government to discuss what would be an appropriate minimum wage for the private sector and advise the Ministry of Employment, Labour and Productivity.

The private sector argued that the damage had already been done because of the Government's previous announcement of the public sector minimum. They complained that the outcome of the talks would be prejudiced, but nonetheless went along with the suggestion for fear that if nothing were happening there might be widespread labour unrest.

In the budget, the President had given the lowest paid civil servants a huge 41.8 per cent rise, bringing them up to the new minimum of N100 a month. But whereas in the past, the private sector had paid more, or at least equalled, Civil Service pay, they now said that not all industries could afford N100 minimum.

The tripartite body should by now have reported back to the Ministry of Labour on the different points of view. But the Government will find itself in an embarrassing position because the three sides are no nearer an agreement than when the talks were announced in April. The Nigerian Labour Congress is still demanding a N300 minimum wage while the employers are offering industry by industry negotiations which take into account fringe benefits paid to workers.

The turbulent state of industrial relations in Nigeria has a number of causes. Principally, wage employment in Nigeria is still in its infancy. The Government estimates that less than 10 per cent of the country's working population is engaged in wage employment and a substantial part of those who are, work in the public sector.

As a direct result of that, the trade union movement and the management side have never built up a sufficient amount of data, good enough communications or a satisfactory backup staff either to press their own claims or answer the other's queries.

Finding its feet

To make matters worse, the trade union movement is still trying to find its feet after the sweeping reform ordered by the military and carried out in 1978. The Trades Union decree slimmed the existing 1,000-odd unions down to 70 and created one central labour organisation—the Nigerian Labour Congress (NLC)—to replace the four organisations then in existence. Most trade unionists accept that the reorganisation was necessary if there was ever to be national wage bargaining. But the NLC has found it difficult to establish its control over the many shop floor bargaining units and the stronger trade unions which have traditionally held the loyalty of the workers and for those in the regions for whom Lagos seems a very distant place.

The NLC claims that it is getting stronger. It says that

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	1979	-	35,000	"

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* The 505 SR/AC model built-up has engine of 1971 cc. It has 96 Horse-power and has 4 cylinders.

* The 505 SR/AC is within the range of government approved low profile cars.



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* PAN will, by early 1981 start assembling the 505 SR/AC model in Nigeria and the first units of the model as prototype shall be produced at its Kaduna Plant Assembly during this year.

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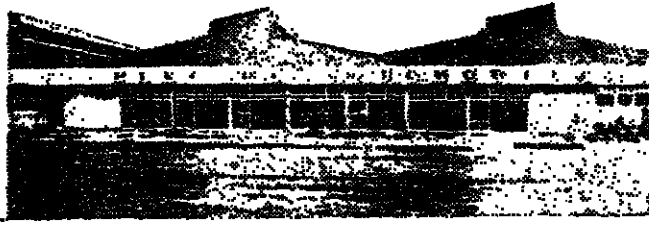
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NIGERIA XXII

SOCIAL

Little boxes for the work-hungry**MAROKO**

IT IS 5.37 in the morning and Maroko is already awake. A cock crows in the bare concrete passage outside a tiny room in which three people are sleeping. From somewhere nearby, a radio announces: "This is the Voice of America..."

Since Nigeria's oil boom hastened the flood of people heading for the cities to look for work, townships like Maroko have mushroomed. A suburb of Lagos, it is built on sand without running water, mains sewerage, electricity or paved roads.

Outside, in the pre-dawn streets, the first workers are making their way through the deep puddles to Lagos. They remove their shoes and sandals, roll up their trousers and paddle gingerly through the water, which can be thigh-high when the rains are heavy.

Inside, where I have just spent the night, the daylight shows the damp stains on the pale-blue walls of the ten-foot by ten-foot dwelling and prods its three occupants into unwilling consciousness.

My two hosts have spent the night on the floor, allowing me to use the bed—the one article of furniture in the room. The previous evening we had dined together by the light of a kerosene lamp, dipping our fingers into the food and washing it down with warm beer.

Before bed, we had washed stark-naked from a pail of water in front of the house where a cool breeze blew in from the creek and the darkness mercifully hid us from passers-by—well, some of us, anyway.

In the evening, darkness shrouds the squalor of the sprawling conurbation. But in the morning, the little concrete dwellings look sad and disordered, like so many shoe boxes after a clearance sale. No matter how lovingly the inhabitants sweep the floors or wash down the steps, they still look tawdry.

Drinking water is brought in from Lagos and costs 10 kobo a bucket; brackish washing water comes from boreholes sunk by the landlords; the back garden serves as lavatory and dustbin; and privacy—what's privacy?

But it's difficult to characterise Maroko. It is easier to say what it is not. In the minds of many expatriates the place is synonymous with vice and crime. Definitely not, say the inhabitants.



From the old to the new: Looking over the old rooftops of Lagos towards the third bridge between Lagos Island and the mainland which is to open shortly

In stark contrast to the meanness, dirt and inhospitability of the environment in which they live, the people are generous, clean and overwhelmingly friendly. Despite the rigours of life in Maroko, it has seen little of the violent crime which plagues other Lagos suburbs.

My host, David, has a life-style which is typical of many people in the township, though he is much better-paid than most. A 34-year-old secretary, he has a take home pay of N442 (\$348) a month while many people survive with only the minimum wage of N100 (\$79).

His wife and two children will soon leave their village and join him in the one room dwelling for which he pays N10 (\$7.90) a month. He lives in Maroko because his

number one priority is education. He wants a good education for his children and hopes to pursue his own at university either in Britain or the United States.

Until his wife arrives, David has his brother living with him. At 28, the brother has been teaching for the past nine years and earns N278 (\$218) a month. He pays N25 (\$19.70) a month for a room he has just found elsewhere in Maroko and he saves N100 a month for his higher education.

They accept they are more fortunate than most because they have good jobs. If necessary they can afford the 40 kobo for a Landrover taxi which is the only vehicles able to function on Maroko's appalling sandy tracks which serve as roads. Most people have to walk.

Sometimes they can even afford a taxi home instead of joining the scrum which fights for a place on the bus in the evening. When they take a taxi out of Maroko the system is simple — three people get in one side and three people the other side and they all push until the strongest find themselves sitting down.

"Struggle" is the word which keeps coming up in Maroko conversation. Everything in life is a struggle; and every day residents have to reconcile the incongruity of leaving the township past the five-star Eko hotel which stands on the outskirts, and where one night's accommodation costs more than six months rent in Maroko.

M.W.

Second thoughts on basic wage**UNIONS**

CONTINUED

with 3m members in the 42 affiliated unions it will inevitably take time to get through to the rank and file. But it has established a liaison office in each of the 19 states and its finances have been considerably improved through the introduction of a compulsory check-off system for paying union dues which, in theory at least, will give them 10 per cent of all membership payments.

However, some of the stronger unions are still a long way from recognising the supremacy of the NLC as the bargaining unit. The powerful Dock Workers' Union recently launched a broadside at the NLC, accusing them of being weak and self-seeking—charges which the NLC naturally strongly denies.

At the same time, despite its claim to have the loyalty of its members, the NLC has been unable to stop the rash of wildcat strikes which plague Nigerian industry and its record of achievements in past negotiations with the Government has not been impressive, observers agree.

The NLC tries hard to retain its political independence, according to its President, Alhaji Hassan Sunmonu, and is not aligned with any political party. But he also made it clear that even before President Shagari came to power last October he had visited him and said that "we would do our best to co-operate." Since then, he said, relations between the NLC and State House had been "cordial."

It is certainly true that under the military, the NLC proved extremely flexible in its demands. Last year, when the

Congress gave the military a 22 day ultimatum to fulfil a five point charter of demands, the deadline passed without the threatened national strike. The agreement signed with the military, although hailed by the NLC as a victory, gave it only very small gains.

But the fact that the Congress has proved flexible in the past may make it all the more difficult for it to bend on the issue of the minimum wage.

Industrialists say that if the NLC does not come away with some substantial gains from the present round of talks, it will be very hard for it ever to establish its credibility in the eyes of the rank and file.

However, Alhaji Sunmonu has already indicated a compromise to the Government by saying that there are other demands by the workers which are as important as the minimum wage.

The NLC's full claim is contained in the so-called Workers' Charter of Demands which was published earlier this year. As well as the N300 minimum wage, the charter contains the following main points:

- N40 minimum rent subsidy
- Full basic and vehicle allowances
- Free medical care
- N720 minimum annual pension (N360 at present)
- General review of salaries and fringe benefits
- Improved urban housing
- Greater industrial democracy
- The abrogation of "punitive and restrictive decrees" covering labour law
- End of the system of daily pay in public and private sector

The charter also outlines the broader political aims of the union movement by saying that it seeks changes in the "laissez faire formula of development through profit and competition" saying that it "has created growing and unacceptable inequalities."

The charter criticised the indigenisation decrees for having

"concentrated more wealth in the hands of a few Nigerians... there is only a change of ownership of wealth from expatriate exploiters to their Nigerian counterparts." It rounds off by saying that it wants the "liberation of the workers and the broad masses from conditions of exploitation, misery and poverty."

The employers' answer to the unions' jargon and demands has been to carry on industry-by-industry negotiations with the individual unions concerned. A number of industrial unions have reached agreements close to the N100 or above it, including the shops and distributive trade; metal products; iron and steel; food, beverages and tobacco; insurance and banking.

But other industries warn that it might mean lay-offs if they are forced to pay the N100 minimum. Agriculture would be particularly badly hit. Plantation workers recently agreed a new daily rate of N3.25 which, on the basis of a working month would give the workers N91.

In addition, the plantation employers argue that they pay a considerable sum in fringe benefits which the unions refuse to consider in calculating the minimum wage. In most industries workers receive travel allowances of at least N10 a month and a rent allowance upwards of N20, says the employers.

Even though no one actually

knows how many workers would be affected by a N100 minimum wage and how much it would affect the economy, the unions' demands were dismissed by one Nigerian entrepreneur as "highly inflationary and totally out of touch with today's economy realities."

The NLC replies that it cannot let workers' real wages continue to be eroded in real terms. The military Government operated three years of wage restraint during which some workers were able to increase their earnings through merit rises, promotion or changing jobs. But the Congress says that the lowest paid ended up substantially worse off.

But it agrees that what it does not want is another across the board increase such as the one the Government ordered in 1975. The money was quickly swallowed up by the resultant inflation and the workers ended up worse off. The NLC wants any further wage agreements to be more discreet.

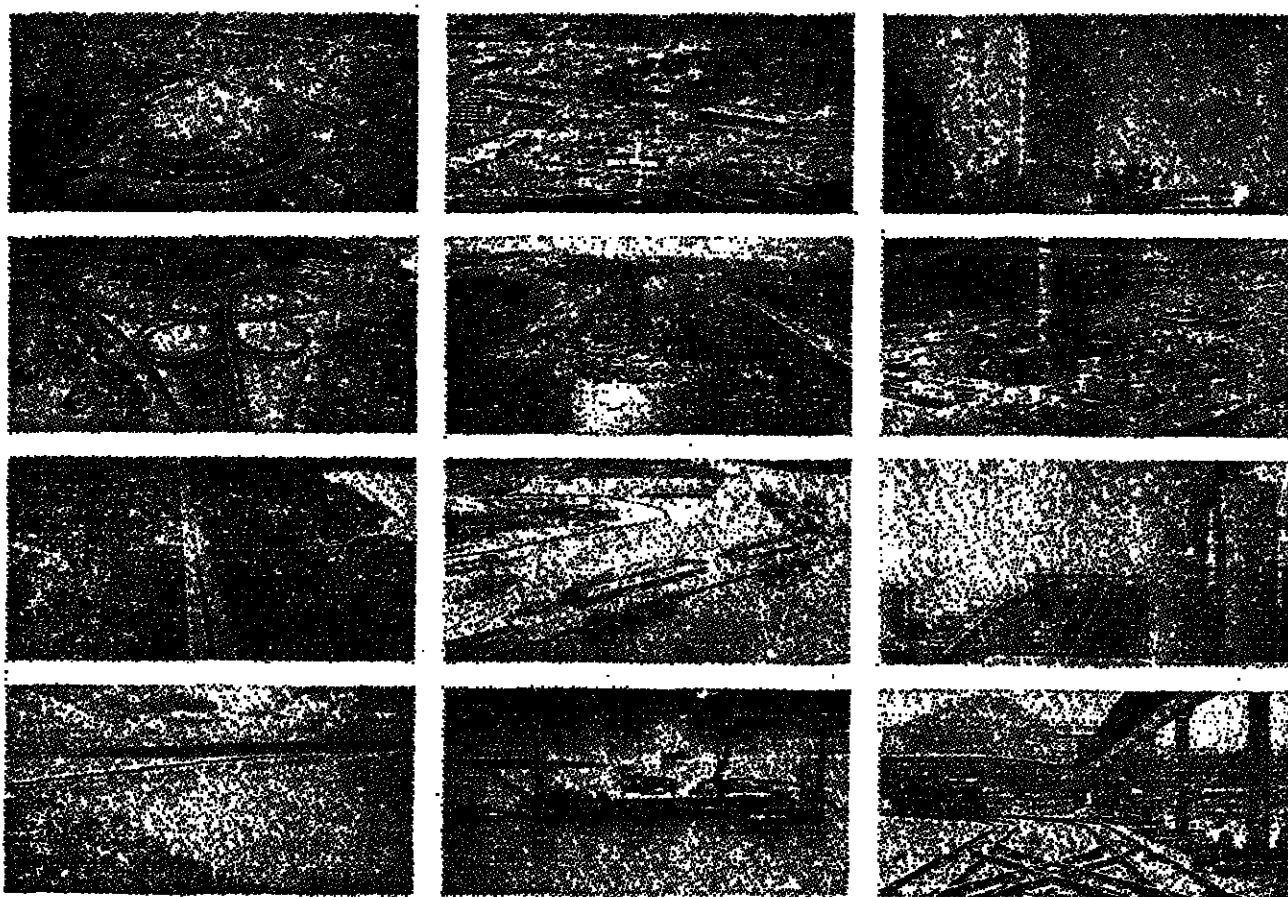
"The trouble is that stillholders put up their prices as soon as they hear that a wage increase is on the way and they are the only ones who make any money out of it," said a union official.

For the future, all sides in industry hope that the Government will establish proper machinery for settling problems as they come along—or prevent them from arising.

M.W.

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NIGERIA XXIII

SOCIAL

Shortage of skills in all sections of economy

MANPOWER

THE DEARTH of statistical data is one of the basic constraints to manpower planning in this country. It has been difficult to build up the necessary manpower data mainly because of the apathy of the establishments and institutions which are required to supply the data.

This bald statement from the guidelines of the Fourth National Development Plan underlines the immense difficulties Nigeria will face as it battles against the shortage of indigenous skilled manpower. "Since the early 70s shortage of manpower has constituted a serious constraint to our national development," say the guidelines.

That shortage runs throughout the economy, from artisans to scientists, according to the "Study of Nigeria's Manpower Requirements 1977." The study shows that the public sector is much worse off than private enterprise in all skills but there is a yawning gap for both.

Black Africa's most populous country has found that even with the help of such ambitious schemes as universal primary education, whose first products will reach the labour market in 1983, there is little hope of satisfying the demand for skilled labour, especially for technical work.

At the same time, while Nigeria complains that it is losing substantial numbers of skilled personnel to the industrialised world many thousands of trained people are arriving from other African and Asian

countries to cash in on Nigeria's oil boom.

No figures exist to show how many foreigners are working in Nigeria. But it is well known that thousands of Ghanaians, Filipinos and Pakistanis work in the educational service; many Europeans and North Americans work as technicians and managers in industry and workers come every year from Niger, Upper Volta and Benin to find jobs in agriculture.

The guidelines to the next plan, which comes into force on January 1 next year, propose a number of ways of overcoming the manpower problems while implicitly rejecting the idea of taking on more expatriate help. The guidelines say that: "Some firms have... tended to acquire expatriate quotas in excess of their true requirements and thereby deny Nigerian workers the opportunity of upgrading their skills and experience."

Rules too tight

Companies operating in Nigeria understandably disagree, maintaining that the rules for obtaining expatriate help are already too tight. They argue that the only way to overcome the short-term problem of manpower is to increase the number of expatriates working in this country.

The guidelines propose instead that there should be a big increase in the quantity and quality of technical education along with an improved flow of information about job prospects and career development. The intention is both to increase the number of trained people available but also to spread them more evenly through all sectors of the economy.

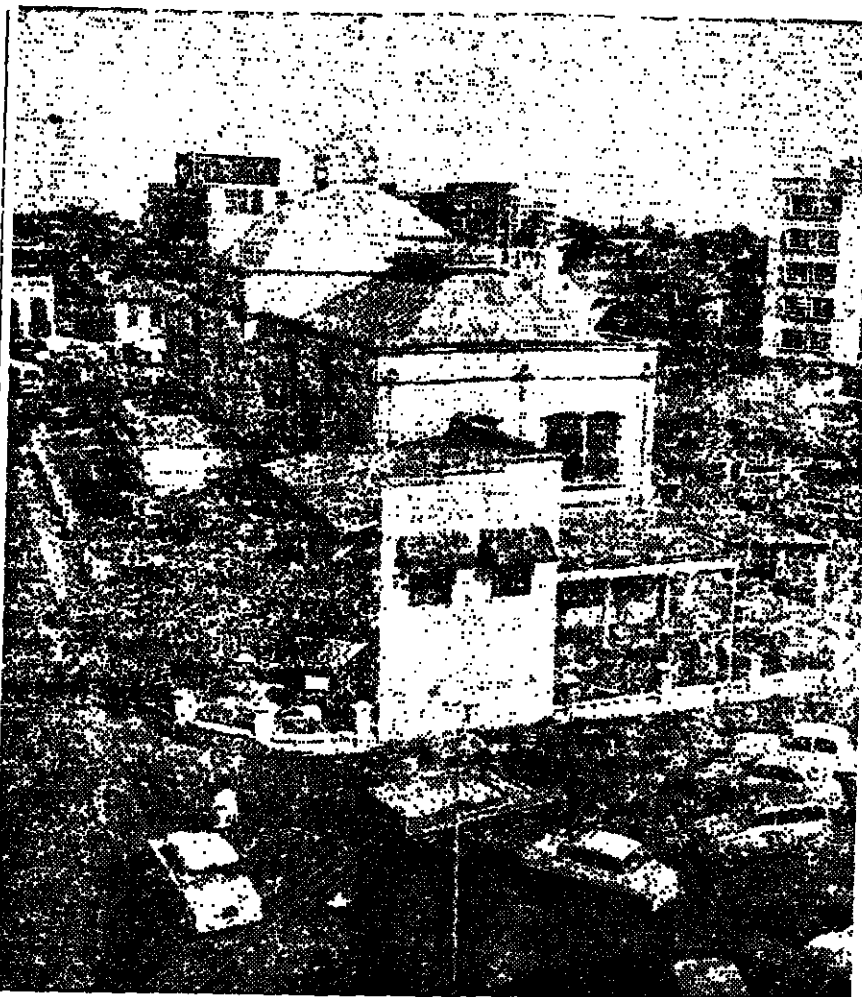
The guidelines say priority will be given to those areas

where the manpower shortage is most acute and list doctors and other medical personnel, architects, engineers and surveyors; technicians and all types of artisans and craftsmen; agricultural manpower; and teaching staff, especially science and mathematics teachers.

The guidelines say teacher training will be rapidly increased; colleges of technology and polytechnics will concentrate more on technical subjects; the practical content of the courses will be increased the Industrial Training Fund will step up its training programmes and qualified Nigerians abroad will be encouraged to return.

The response from private and public sector to the guidelines is that they are too vague to offer any real hope for an improvement in the near future. Officials concede that prospects for the immediate future remain bleak but as one Nigerian businessman said: "If you carry on using the outside world as a prop you will never learn to stand on your own two feet."

M.W.



THEN AND NOW: HOW THE CENTRE OF LAGOS HAS CHANGED IN A QUARTER OF A CENTURY

Bustling Tinubu Square as it was 25 years ago and (right) as it is today. The Supreme Court building in the centre has gone, but parts of the old square survive

Nigeria Airways brings the rest of the world a little nearer

How the law deals with trade union disputes

TRADE UNIONS: The Trade Unions (Amendment) Decree 1978 lists 70 registered and recognised trade unions in place of the 1,000 odd which previously existed. It also names the Nigerian Labour Congress as the sole central labour organisation in place of the four then in existence.

The decree obliges companies to recognise legal trade unions. Employers must deduct trade union dues directly from the pay packet for recognised unions. There is a conscience clause for workers who do not wish to belong to a union.

DISPUTES PROCEDURE: The Trade Disputes Decree 1976 lays down the following procedures for resolving a dispute. Lockouts and strikes are forbidden while the procedure is being followed.

1—Employer and worker must hold joint talks.

2—If that fails then within seven days a mediator must be appointed by common agreement of the parties. If there is no agreement within 14 days the matter is referred in writing to the Minister of Employment, Labour and Productivity.

3—The Minister then appoints a conciliator who has a further 14 days to reach agreement.

4—If that fails, the matter is referred to an Industrial Arbitration Panel which must make an award within 42 days, or longer if the Minister sees fit.

5—If either side does not agree with the verdict, the case goes to the National Industrial Court, whose ruling is final. The Minister is also entitled to set up a Board of Inquiry into any dispute.

Decree 1974 says that the employers must inform the trade union or unions involved who shall negotiate the terms of any redundancy. Those made redundant shall be on a "last in, first out" basis but that shall be "subject to factors of relative merit such as skill, ability, reliability."

The Minister may make regulations governing the terms of redundancy for other specific or general cases.

RECRUITMENT: The Labour Law 1974 lays down a requirement that any recruiter or employer of labour should hold either a Recruiters' Licence or an Employers' permit from the Ministry of Employment, Labour and Productivity before engaging anyone to work inside or outside Nigeria.

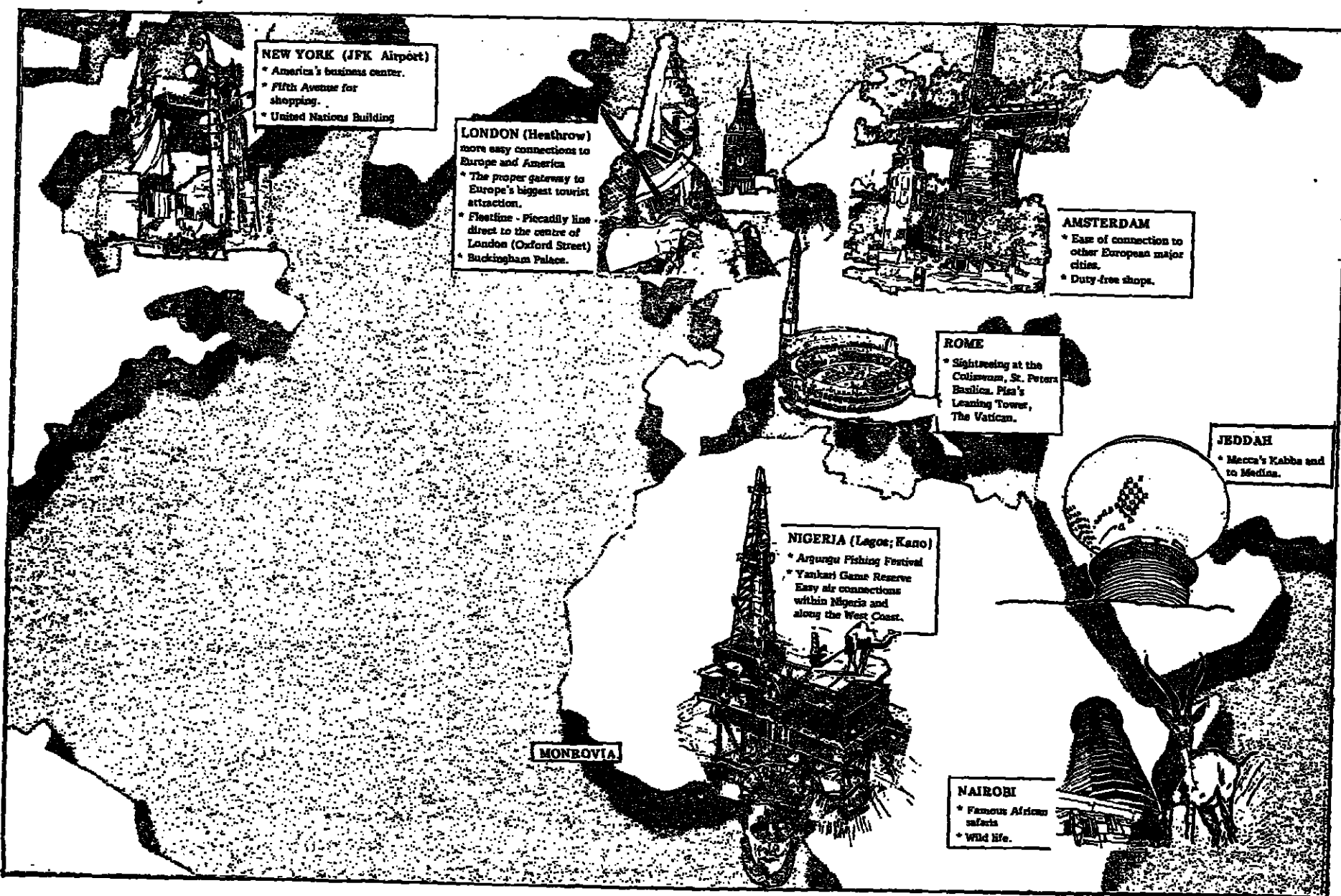
The law also covers the employment of women, apprentices and young people.

HOUSING: The Employees Housing Schemes (Special Provisions) Decree 1979 obliges all employers with more than 500 workers to provide housing as near to the place of work as possible for a cross section of employees. The deadline for complying with the decree has passed and the Government is reviewing its instructions.

PRICES AND INCOMES: The Productivity, Prices and Incomes Board Decree 1977 establishes four bodies to monitor pay and prices: (a) the Public Service Pay Research Unit; (b) the Incomes Analysis Unit; (c) the Wages and Productivity Unit and (d) the Price Intelligence Unit.

REDUNDANCY: The Labour

M.W.



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Vigorous policy of free schooling is not without critics

FROM A distance, it looked more like a cowshed than a classroom. The long, single-storey building with its corrugated iron roof was divided into seven rooms by thin wooden partitions. The only furniture was a blackboard. Yet from September 8 this year, those rooms have housed hundreds of children starting school in Lagos state.

Similar classrooms have mushroomed throughout Lagos state and in the other four states controlled by the Unity Party of Nigeria—Oyo, Ondo, Ogun and Bendel. Since the Unity Party came to power in the five states last October, it has vigorously pursued its electoral promise to provide free education for all the children aged six to 18 in the states.

Although even the Unity Party's critics have been impressed by the speed with which it has put its promises

into action, educationists are extremely concerned at the minimal planning which went into the execution of the scheme. They point out that the state governments have little finance available, and only the vaguest idea about how many children are affected and where they will find sufficient teachers and equipment.

The fear in education circles is that schooling has become little more than a political football to be kicked between the Unity Party, which is moving ahead at full speed, and the federal Government, which is moving very cautiously. Education officials in the Unity Party states admit openly they would not have moved ahead so fast if they had not been under so much pressure from the politicians.

As an example of political interference in the educational system, they cite the recent

attempts by Alhaji Lateef Jakande, Governor of Lagos state, to ban private schools in Lagos. He justified the move by saying that private schools were elitist and against his socialist principles. But his detractors said he simply wanted to penalise the rich Nigerians and expatriates who sent their children to private schools. A lengthy legal battle ensued which Governor Jakande has so far lost.

Educationists say that so much energy is being wasted on the political issues that there is no attempt to tackle the fundamental problems facing education throughout Nigeria. Those problems revolve round three questions: can every part of the federation be offered the same educational opportunities; what quality of education is on offer; and what openings will there be for the children once they complete their education?

It was with the first problem in mind that the then-military Government launched its Universal Primary Education (UPE) scheme in 1977. Nigeria had long suffered a grave imbalance between the levels of education in the north and in the south of the country. In one of the northern states, school attendance was only 7 per cent before the UPE scheme was launched.

The UPE scheme was probably the most ambitious ever attempted in black Africa but it ran into immediate problems because of poor planning and preparation. The state began a crash teacher-training course and built hundreds of classrooms. But when enrolment day came, some 3m children turned up instead of the 2.6m who had been expected.

The resultant chaos has never been overcome. Millions of children still enrol every year

for UPE and many still have their lessons under trees or in borrowed rooms. Although statistics on education are notoriously unreliable, the Ministry of Education says that a further 2.6m children enrolled for the academic year 1978-79, bringing the total primary school population to 11.2m.

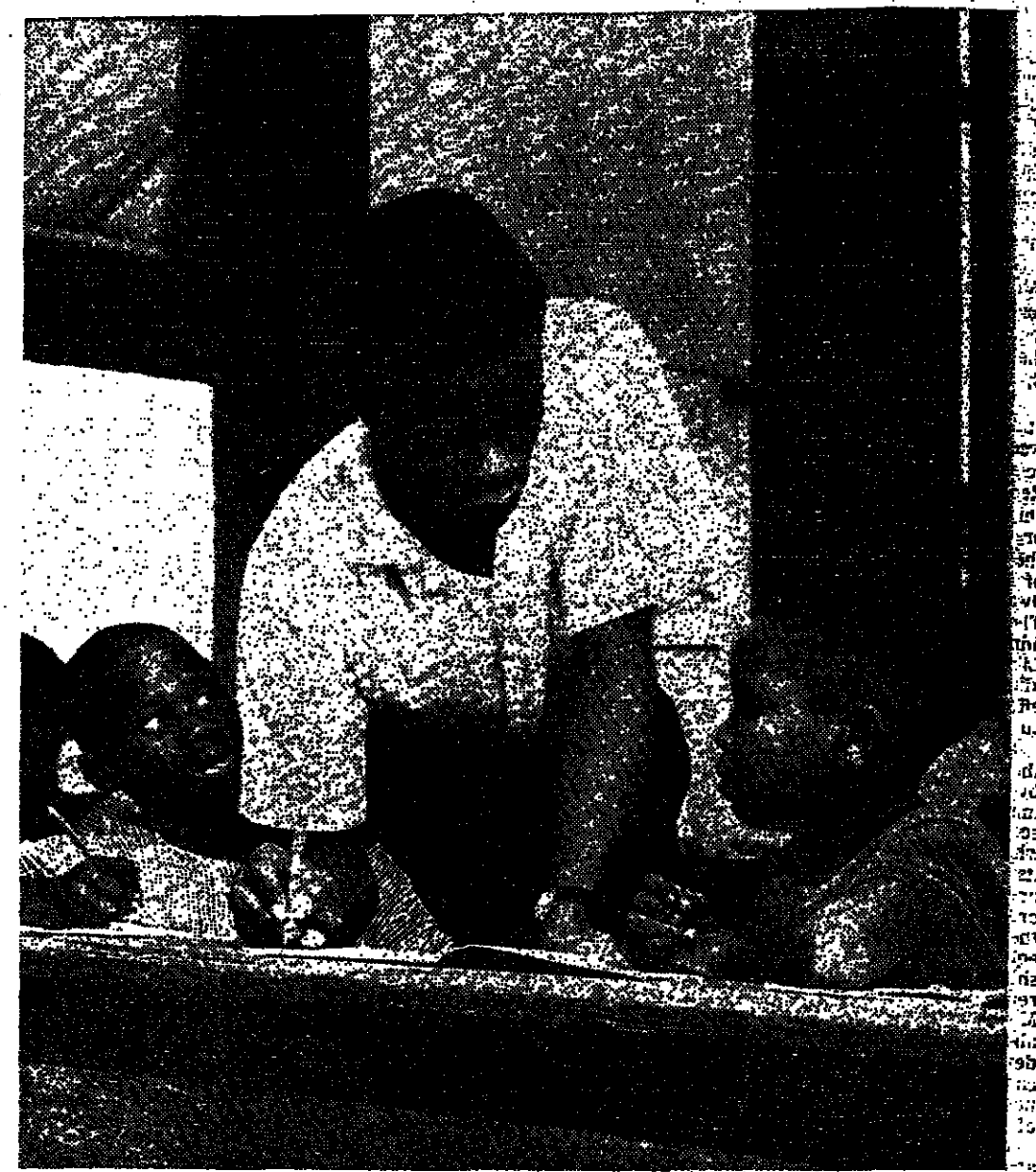
The following year another 2.7m children enrolled for the first year, bringing primary school totals to 12.5m children. Yet despite the substantial increase in demand only 500 more schools were built during the same period. With the huge increase expected in the Unity Party states, educationists shudder to think how the classrooms can cope.

The same is true of teachers. Even before the start of UPE as many as 90 per cent of the teachers in the northern state of Kano were uncertificated. In the southern state of Anambra, the figure was 60 per cent. But despite the fact that the 260 teacher training colleges had a total enrolment last year of nearly 250,000, the growth in demand for teachers has meant that, if anything, the number of unqualified teachers has grown.

Concern

Overcrowding in the classrooms, the lack of facilities and the low level of teaching staff all raise fears about the standard of education the children are receiving. Not until 1983, when the first children have completed the full span of a UPE education, will the shortcomings become obvious, educationists say. But in the meantime, there are plenty of grounds for concern. The overwhelming question which the federal Government has not yet answered is what is to become of the millions of educated young Nigerians once they leave the UPE scheme. The five Unity Party states feel they have found the answer by offering free education to the age of 18. But educationists reply that such a move will only put off the problems for a few more years and could have incalculable socio-economic effects on a society which still depends heavily on young labour.

The federal Government is still considering the Blueprint for Education, which was produced jointly by Nigerian and UNESCO experts and which advocates a scheme of junior and senior high schools, each



A trained primary school teacher gives personal attention to a pupil. But the rapid extension of free primary education has meant that the number of unqualified teachers has grown

with a three-year span. But although the plan has been under consideration by the Government for more than a year, the Implementation Committee which would put it into effect is still in abeyance.

Given the amount of preparatory work which will be necessary if the extension of a secondary system is not to run into the same constraints as UPE, most educationists feel it would be necessary to get something under way as soon as possible.

As it stands, secondary education remains the poor relation of the educational system. In the 1979-80 academic year, only 1.8m children were enrolled in secondary schools. The only moves the Government has made so far have been to say it favours an expansion of technical education and a change in the system of the Joint Admissions Matriculations Board, which controls admissions to institutes of higher education.

From now on, admissions to Advanced Teachers' Colleges and to Colleges of Education will be 20 per cent on merit and the rest "to reflect the ethnic balance of the country". Federal schools of arts and science and technical institutions will admit 20 per cent on merit, 50 per cent to reflect the federal character and 30 per cent from the college catchment area.

M.W.



A new school under construction on Victoria Island, Lagos. Lagos is one of the five states controlled by the Unity Party of Nigeria (UPN) which has introduced free education through to university level

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IMF tortoise in a fast changing world

GIVEN THE choice between the tortoise and the hare, the International Monetary Fund would always take the slower, safer beast.

It likes to think of itself as an institution in a permanent state of cautious evolution, not revolution, alive to, but not ruled by, the transient moods of the moment. It serves, but does not like to lead because it knows it must take that lead from its masters, the 140 nations which comprise its membership.

Rarely, if ever, before has the IMF been so torn between the conflicting viewpoints of its membership — the haves and the have-nots, the old money and the new.

Whatever there is of inherent and traditional interest at this week's annual meeting — the re-emergence of the People's Republic of China, the leadership succession at the sister organisation, the World Bank, the highly technical mechanisms of lending and borrowing — is dwarfed by this competition. The political question of the admission of the Palestinian Liberation Organisation to some kind of official status is, in effect, symbolic of these cross currents.

The additional hierarchy of the IMF is partly hamstrung by the fact that there is no immediate and overwhelming economic crisis of the kind in which it would normally involve itself. There is no currency unrest today requiring a co-ordinated cure. Hostilities in the Gulf permitting, there is equanimity that the relationships between the major currencies — the dollar, Deutsche Mark, yen, and sterling — is about right. And there is no developed economy conspicuously on the ropes and in need of the IMF's special blend of discipline and assistance.

There is, of course, concern about recession and inflation in the industrialised bloc, but little new to say about either and

consolation to be taken from the obvious better external balance that now prevails. In any case, some of the leading nations (the U.S., West Germany, France, Italy, and Australia) are pre-occupied with elections or internal political problems.

Given these conditions, it almost appears that the Western nations have no excuse for not addressing themselves to the pre-eminent problem of helping the poorer countries to adjust to the second large increase in the price of energy in a decade, and to forging an expanded role for the IMF in this process. Yet

time to a \$13bn surge in IMF financing, a lot of it through the "oil facility" established in response to the price rise.

But the bulk of this lending was to the developed nations and it did not amount to much beside the annual current account deficits of \$30-50bn the developing countries were running in the mid-1970s. The gap, of course, was principally filled by the international commercial banks, revelling in a gigantic and untapped new source of business.

This time, the oil surpluses and oil deficits appear more intractable. The enthusiasm of

The World Bank was conceived not to fund balance of payments difficulties but to provide developing countries with finance (and expertise) for long-term capital projects. The second oil shock has posed both institutions with a common problem which threatens to bend the principles of both and to lead each on to the territory of the other.

The IMF is faced with long-term balance of payments problems to which there are no quick solutions which do not involve subjecting the poor countries to the curbing of energy-related vital kind of "project" it can finance in Third World countries. It is little wonder that the niceties of the old distinctions between the two are getting blurred and that IMF officials can be heard muttering darkly about being "taken over" by the Bank.

Over the past decade, the IMF has established a number of new facilities and procedures to provide countries with loans for longer periods with fewer questions asked. But over the last year, pressure for more rapid radical change has intensified. It has been embodied in the demands of the Group of Twenty Four, representing more than 100 developing countries. Their shopping list, presented at both last year's annual meeting in Belgrade and at the policy-making interim committee session in Hamburg this April, has so far not been met, but the countries this week are looking for more solid results.

Their demands include:

- An increased allocation of Special Drawing Rights, the IMF's own currency, which should be according need rather than quota, thus using the SDR as a form of aid.
- A fresh look at the way in which IMF quotas are deter-

Our correspondents at the annual meeting of the IMF: JUREK MARTIN, PETER RIDDELL and NICHOLAS COLCHESTER review the problems of adaptation faced by the organisation

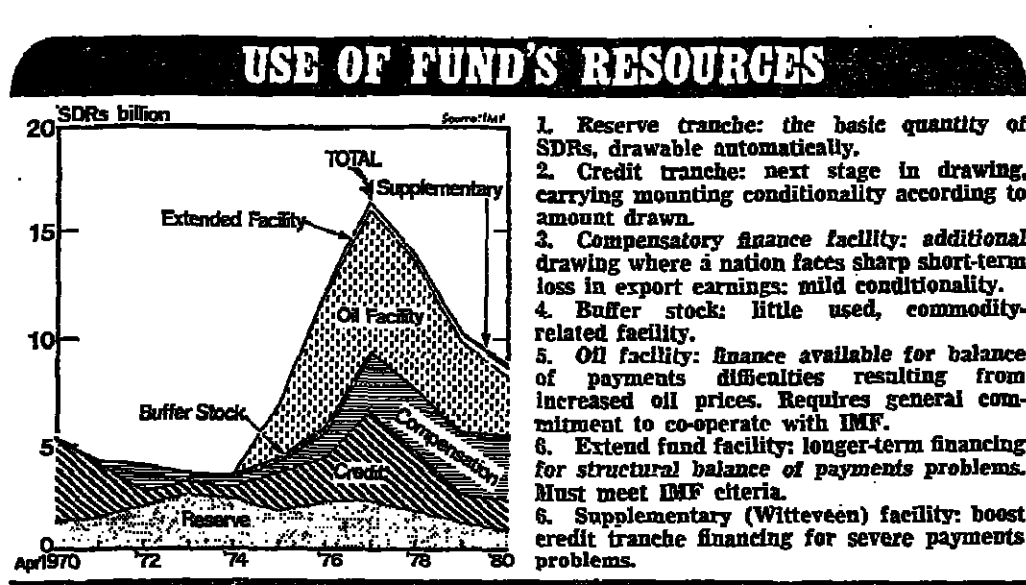
the resistance to change is very evident.

As the Group of Ten Finance Ministers put it in their weekend communiqué: "The basic character of fund lending should be preserved," as should the respective characters of both the IMF and the World Bank. This was a bald statement confirming the impasse that still persists between North and South on resource transfers, symbolised by the former's resistance on the PLO question, by its blocking last week in New York of proposals to make the IMF and Bank subject to more direct UN jurisdiction.

Understandably, the IMF and the World Bank are institutions conditioned by experience. The first oil shock in 1973 affected them less than might have appeared likely at the outset. As the chart shows, it led in

the banks has waned, so the finger inevitably points at the two Washington-based organisations, even though neither was really established in their original form to come up with answers to today's problems.

In the early days, if the fixed exchange rate system, the IMF evolved as a sort of co-operative. Countries pooled their quotas of currencies in an institution which could lend to them temporarily, and on undertakings of self-discipline, to tide them over balance of payments and exchange rate difficulties. This would avoid the need for disruptive action; but it was assumed that external accounts would balance in the long run. The IMF's structure was, and is, ill-equipped to deal with a situation where some of its members are persistent contributors and some persistently in



mined so as to increase the Third World's share of the IMF Co-operative from about one-third to almost one-half.

● A medium-term balance of payments facility to lend longer-term money on minimal conditions.

● A general boosting of amounts, lengthening of maturities and easing of conditions on IMF credits and World Bank Loans.

● A subsidy account to reduce the interest cost for poor countries borrowing from the IMF.

This week's annual meetings of the IMF and World Bank will unveil or ratify measures which only go some of the way to meeting these demands. It will be confirmed that IMF members can borrow twice their quota each year up to a total of six times quota, compared with a present general limit of four to five times quota (the precedent for this was set in the loan to Turkey earlier this year). Such borrowing will still involve conditions but these

will be somewhat less onerous, as has already been evident in the lengthening of the IMF's adjustment programmes.

The Fund's strategy is to increase the volume of cash available through existing channels, and to lend for longer periods, rather than to introduce new loan facilities. This is apart from the modestly-sized new "food" facility which is designed to help poor countries build up stocks of imported food.

The IMF has also been looking at the other side of its balance sheet — the ways in which it raises money. Mr. Jacques de Larosiere, the managing director, hoped to have made large strides by now in this area. During the summer, he made good progress in persuading the surplus countries to commit themselves to lend SDRs 5-7bn to the fund on commercial terms over the next two years. The dispute over the PLO has stalled these efforts for the time being, but if this can be resolved, he will be given a broad mandate to continue these negotiations.

There is no immediate cash crisis and current resources should last until the middle of next year. But faced with the current political problems over directly tapping OPEC, the IMF has switched to proposals that would allow the IMF to borrow in its own name on the international capital markets.

This idea so far amounts to little more than a contingency plan and a number of the major industrialised countries are distinctly cool, largely because of the multitude of practical and legal difficulties involved.

The majority of participants at the Group of Ten meeting on Saturday argued that such direct fund raising, which the World Bank has employed for years, should only occur when there is an extreme need and when the traditional means of quota financing and borrowing from surplus countries are patently inadequate.

Whatever demands are on the table, the impetus for change, as conceived by the Western nations, is not great. From the point of view of the IMF as an

institution, this may be just as well for it is not at present well-equipped to ride the whirlwind of revolution.

It is itself going through a generation-changing transformation, with the retirement of so many of the old guard who have been in since the Bretton Woods foundation 35 years ago and with a managing director, Mr. de Larosiere, still trying to establish himself and to emerge from the shadow of a powerful predecessor, Dr. Johannes Witteveen.

The informed jury is still out on Mr. de Larosiere. In his defence it is said that he has been unlucky in being saddled with side issues, the IMF staff's bruising salary dispute, for example, quite apart from the PLO question.

Against him, it is said that he lacks political nous, that he has not shown he knows when to run with an issue and when to let it drop. Certainly, he continued to push the substitution account long after the industrialised countries lost interest.

It does not help that he has a prickly personality ("You damn French," as one insider put it) and perhaps too obvious a desire to put his imprint on the organisation.

But it is unwise to ascribe too much significance, outside the internal firmament of the IMF, to the managing director. Real control still resides elsewhere.

The traditional rulers, the Western Nations, are as unpersuaded by the need for radical change as the developing nations are convinced of its desirability. Although the IMF may end up by missing a golden opportunity to play a direct and decisive role on the international economic scene, the probability is that it will continue to move slowly forward, consoling itself in the knowledge that, in the fable, the tortoise won in the end.

Letters to the Editor

Government borrowing

From Mr. John Forsyth

Sir,—Michael Posner in his letter of September 18 has, with his usual acuteness, focused on the central issue of the debate between those taking a conventional view of fiscal policy who include most of those barely reconstructed Keynesians now in the monetarist camp, and those of us taking a more radical view.

It is common ground that to achieve a capital outflow it is necessary to induce a net financial surplus in the domestic sectors. The radical view is that government can best achieve this by a reduction in its own financial deficit as a move into larger financial surplus in the private sector would be deflationary. The conventional view, as expressed by Michael Posner, is that an increase in the public sector's deficit would be more than compensated by a strengthening of the private sector's financial position, the mechanism for this being a rise in the level of demand and activity.

However, Sir, as your editorial of September 16 noted, the present recession has developed precisely because the usual relationship between demand and activity has broken down. Output in the internationally traded sector began to fall while domestic demand was expanding briskly, but eventually the cumulative effect of declining output on incomes and employment has led to some weakening in demand. The engine for recession has not been weakness of demand/excess private sector saving but rather a rise in the exchange rate, related to a rise in oil production unmatched by a shift in the capital account. To try to counter this by higher government borrowing in present circumstances is futile as the associated strengthening in the exchange rate prevents the increase in demand feeding through to output so that the multiplier will not operate in the usual way.

Moreover, the idea that government borrowing is necessary to absorb excess private savings is not self-evident at a time when government policy is to use high interest rates to restrain private sector borrowing. The concept of a liquidity trap depended on the existence of low nominal interest rates, and, as the doormen at Threadneedle Street can testify, there is no liquidity trap at current interest rate levels. Borrowing at 13-14 per cent to finance the increase in public sector wages is a far cry from the loan financed public investment advocated by Keynes in the Thirties.

John Forsyth,
23, Great Winchester Street,
EC2.

Tax and marriage

From the Director, Child Poverty Action Group

Sir,—At the risk of over-extending the very interesting correspondence on tax and marriage, may I make one further point in response to the letter from Ms V. R. Housden (September 19)? I would agree wholeheartedly with Ms

Housden that it is the extra tax relief given to married men, irrespective of whether their wives are in employment, which should be abolished and not the wife's earned income relief. However, I do not agree with her proposal that where one partner stays at home, she or he should be able to transfer the unused tax allowance to the working partner, because I do not believe that this would be making the best use of the resources that would be released by the abolition of the married man's allowance.

Where one partner (usually still the woman) stays at home because she has the care of children or other dependent relatives, would it not be better to channel support directly to her in the form of a cash benefit rather than to her husband in the form of extra tax relief? The married man's tax allowance currently costs the community £3,000 million. This money could be used to increase significantly child benefit and also to extend to married women the right to claim the invalid care allowance for those who stay at home to care for disabled relatives. I believe that a redistribution of resources to those with family responsibilities should take priority over a system of transferable tax allowances which would help one-earner families without any such responsibilities. I recognised that this could cause problems for families where the wife has been caring for children who are now grown up if she is unable to get back into the labour market. But this is a diminishing problem as the economic activity rates of older women have risen markedly and it could perhaps be alleviated by some kind of transitional arrangements.

Ruth Lister,
1 Macklin Street, WC2.

Investment in Arabia

From Mr. Abdul Aziz Al-Dukhaili

Sir,—We should like to take the opportunity to respond to some of the statements attributed or relating to ourselves made in the article which appeared in the Management Page (September 8).

1.—It was stated in the article, written by Mr. James Buxton, on September 5, that Mr. Abdul Rahman Al-Sai is to remain the Director General of The Arab Investment Company S.A. (TAIC) until October of this year.

Mr. Al-Sai was also described as the Director General in the article on September 8.

These statements are not true. Mr. Al-Sai ceased to be Director General on July 10, 1980, and since that date has had no association with the company in any capacity whatsoever.

2.—TAIC started its operations in 1974 and not in 1975 as stated.

3.—The participation of TAIC in the Kenana Sugar Company amounted to around 20 per cent of our shareholders' equity of U.S.\$300m as at December 31, 1979. The figure of U.S.\$300m mentioned represents the authorised capital and not the equity and loan investments portfolio.

4.—The growth of the company under Mr. Ebrahim Al-Ebrahim was definitely rapid but far from haphazard. The portfolio which Mr. Al-Sai in-

herited was balanced in terms of economic sectors and geographical locations and reflected the fact that the investment criteria of a company such as TAIC are not purely profit-orientated but also take into account the development needs of the Arab World.

5.—It is worth noting that the two projects which are mentioned as examples of success, namely, Asment de Tamara, and Ciampit, were both initiated before Mr. Al-Sai joined TAIC. 6.—As a general point, the implication that investment in the majority of Arab States is made extremely difficult by the interference or inefficiencies of Government is a gross generalisation and over-simplistic.

Our present portfolio, for example, includes successful equity investments in nine Arab countries.

The Arab World, despite a common language, religion, and history, is none the less a diverse and complex region which does not easily adapt itself to convenient categorisations such as "Left" or "Right," "Capitalistic" or "Socialistic." Moreover, over the past 15 years or so, the area has experienced an unprecedented rate of growth and change, and it is natural that such rapid growth brings with it particular problems and difficulties. It is naive to believe that any company or individual can offer quick and easy answers by a superimposition of a Western business or political philosophy, particularly if no account is taken of the underlying social, cultural, political, and economic realities.

7.—In conclusion, it is generally accepted that it is a characteristic of a good manager in any sphere of activity that he is able to recognise the particular problems of the area in which he operates, and to be able to deal with such problems, without frustration, by a creative and flexible utilisation of whatever tools or techniques he has at his command, be they occidental or oriental.

What is vital is that the use of the tools of management must be in harmony with the environment in order that one's long-term objectives are achieved and not obstructed.

In our view it is undoubted that there are a great many highly successful and enterprising business and banking organisations in the Arab World, with managers possessing these characteristics who have demonstrated that with the proper application of these skills such organisations can operate extremely effectively.

Abdul Aziz Al-Dukhaili.

The Arab Investment Company S.A.,
Riyadh.

Citizens' band

From Mr. James M. Bryant

Sir,—In your "Weekend Brief" (September 20) you suggest that whatever system of Citizens' Band or "Open Channel" Radio the Government produces the present illegal users of 27 MHz (who your correspondent estimates to number 100,000 — a more realistic figure, based on sales of antennas, is 250,000 plus) will not go away.

If we get the proposed 828 MHz system, with equipment costs of over £300 per set and ranges of under one mile, then

you are undoubtedly correct. There is still time, however, to introduce CB at a lower VHF frequency such as 41 MHz (shortly to be abandoned by 405 line television) or 225 MHz (last used by Lancaster bombers in 1944). These frequencies offer such improved performance over 27 MHz that they would probably reduce users from that band within 18 months or so of a service being started. If the Government continues to delay until the number of illegal users exceeds 1m, which this Association estimates will take less than a year, there will be no chance of introducing such a VHF service and, like Australia and South Africa before us, we shall be forced by illegal pressure to adopt the tired old 27 MHz system which, while no doubt excellent when first introduced over 20 years ago, is not the best system for a short-range personal radio service.

James M. Bryant,
President,
Citizens Band Association,
16 Church Road, St. Marks,
Cheltenham.

Take to the lifeboat

From the National Officer, Association of Scientific Technical and Managerial Staffs

Sir,—Men and Matters reports Sir Alex Jarrett as telling the Institute of Directors that: "You don't have democracy in a lifeboat."

Could it be that the reason the lifeboat was in use was because the crew had decided to get rid of the more incompetent and authoritarian officers?

Tim Webb,
10-26a Jamestown Road, NW1.

Lenders and borrowers

From Mr. R. C. Marshall

Sir,—Mr. Townsend asks (September 25) why building societies do not espouse index-linked lending and borrowing. In my opinion no existing building society can afford to rock the movement's boat by offering real savings to investors and making low real charges to borrowers (as opposed to high cash flow demands).

For several historic reasons the societies are a knife edge and inhibited from trying innovations that might endanger their traditional mode of business. One reason they cannot charge a real rate of interest is because they insist on capital repayments even when inflation is already reducing the loan more effectively than any programme of repayment can achieve.

Why therefore not start a new Real Return Building Society? (Or should we call it a Zero Interest Rate Building Society to make it appeal to borrowers?) Even under the present legislation I don't believe the tax problems are insurmountable, but in my view index-linking is not the only answer to the major distortion caused by inflation. I believe we may see a competitive alternative to the building societies soon emerging which would be more beneficial to both borrowers and lenders.

R. C. Marshall,
25, Domeswood Close,
Weybridge, Surrey.

Today's Events

GENERAL

UK: Labour Party conference opens, Blackpool (until October 3).

United International des Syndicats de Police Congress opens, Brighton (until October 1).

West Yorkshire Metropolitan Police launch anti-burglary campaign, Wakefield.

Election of Lord Mayor of London, Guildhall.

English Tourist Board publishes "Let's Go" (list of hotels offering off-season breaks).

British International Footwear Fair, Olympia (until October 1).

Trade with Zimbabwe conference, Blackpool (until October 3).

Overseas: Lord Carrington, Foreign Minister, attends Anglo-Japanese consultative meeting in Tokyo (until October 2).

Two-day meeting of Association of South East Asian Nations' Energy Ministers to discuss development of renewable alternative energy sources, Indonesia.

Mr. Gaston Thorn, Luxembourg's Foreign Minister, visits Israel to meet West Bank Palestinian mayors.

Common Market Fisheries Ministers meet in Brussels.

Six North Atlantic Treaty Organisation countries, including UK, start major land, sea, and air exercise in Mediterranean area (until October 14).

Mr. Sanjiva Reddy, President of India, starts state visit to the Soviet Union (until October 3).

COMPANY MEETINGS

See Financial Diary on page 17.

COMPANY RESULTS

Final dividends: Adwest Group, Capsels, Cope Allman International, Parker Knoll.

Interim dividends: Currys, Energy Services and Electronics, Metaltrax (Holdings), Owen Owen, Supra Group, C. and W. Walker Holdings. Interim figures: Arrow Chemicals Holdings, Frank G. Gates.

LUNCHTIME MUSIC, London

Organ recital by Margaret Phillips, St. Lawrence Jewry, Gresham Street, 1.00 pm.

Organ recital by Jonathan Rennett, St. Michael's, Cornhill, 1.00 pm.

Singers' Workshop, St. Mary Woolnoth, Lombard Street, 1.10 pm.

Foreign exchange

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Total assets (end 1979): Sfr. 65,181 million. Customers' deposits: Sfr. 37,927 million. Capital and reserves: Sfr. 3,926 million. Advances to customers: Sfr. 31,892 million. Net profit: Sfr. 258 million. Number of staff: 12,600.

General Management in CH-4002 Basel, Aeschenvorstadt 1, and in CH-8022 Zurich, Paradeplatz 6. Over 180 offices throughout Switzerland.

Branches: London EC2P 2BR, 59 Gresham Street; WIV 8BR, Swiss Centre, 1 New Coventry Street — New York, N.Y. 10048, Four World Trade Center; N.Y. 10020, Swiss Center, 608 Fifth Avenue; Atlanta, Ga. 30303, 225 Peachtree Street N.E. (Suite 1700); Chicago, Ill. 60606, 150 South Wacker Drive; San Francisco, Cal. 94104, 120 Montgomery Street (Suite 2200); Cal. 94108, Union Square, 250 Stockton Street; Tokyo 100-81, Yamanote-Sogo Building, 6-1, Marunouchi 2-chome, Chiyoda-ku — Hong Kong, 20/F Alexander House, 16-20 Canton Road, Central — Singapore 0104, 1303 Ocean Building, Collyer Quay — Bahrain, Mecca Commercial Centre, Manama.

Representative Offices (Atlantic Area): Bahrain, Kanoo Commercial Centre, Manama — Cairo, 3 Ahmed Naguib Street, Giza — Edinburgh EH2 1HH, 86 Hanover Street — Johannesburg, Swiss House, 86 Main Street — Madrid 95, Alcalá 95-74 — Paris 75009, 11bis, Rue Scheide — London, Kibbana Sephered Charant, Azariah 6 (3rd Floor).

Subsidiary (Atlantic Area): Luxembourg 2, Société de Banque Suisse (Luxembourg) S.A., Boulevard Prince Henri 43.

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UK COMPANY NEWS

Details of Scott offer expected later this week

Big increase in liquidations

SHAREHOLDERS IN the Laurence Scott group can expect to receive full details later this week of the proposed offer from Mining Supplies, the Dun and Bradstreet-based machinery manufacturer. Singer and Friedlander is posting the formal offer document on Wednesday—just 31 weeks after Mining Supplies announced its proposed £6.2m bid for the Norwich-based electrical engineering group.

The Scott board's initial response to the offer was a 17 share exchange, with a cash alternative of 60p—a simple statement to holders to take no action until they hear from the board. However, Mr. Paul Tapscott, chairman of Scott, admitted at the time that "on the face of it the price was an undervaluation." In the group's 1979/80 accounts the net asset value per share stood at 195p, but the group incurred a pre-tax loss of £1.87m in the year, compared with a deficit of £1.35m previously.

It is understood that there has been no contact between the two companies for quite some time. The Scott board is waiting to see Mining Supplies full explanation of the industrial logic behind the bid move before giving further

advice to shareholders. In present trading terms Scott sees little industrial logic behind the Mining Supplies move. According to the company present business between the two companies is very small—amounting to less than 1 per cent of a turnover of around £40m. But Scott concedes that Mining Supplies could place a lot of extra business with the group; Mining Supplies reckons that this could amount to an extra 20 per cent on the group's turnover.

The bulk of Scott's business is concerned with the manufacture of control gear and heavy rotating machinery for process plant. Mining Supplies launched its bid for Scott on the back of a 27.18 per cent holding mostly gained in a dawn raid mounted by Rowe and Pitman in May.

At the time of the raid Mr. Arthur Snipe, chairman of Mining Supplies, said that he had gone in to protect his company's interests. He said that Mining Supplies had substantial areas of common interest with Scott and he felt that Scott's recent trading pattern had made it "highly vulnerable."

Understandings from supplying Mining Supplies with electric motors and other related items, Scott also does a lot of work for the coal mining industry, an area

where Mining Supplies is heavily involved. Also Mining Supplies has worked with Scott in various ways over the past few years, including the placement of development contracts with the company.

One of Scott's main attractions for Mining Supplies is a specialist flameproof motor it makes for the TP 2000, Mining Supplies' new coal shearer. The company is confident of tremendous export potential for this machine.

Rowe and Pitman's raid on the shares must rate as one of its less successful operations. Although the shares were languishing at a low of around 40p when Mining Supplies struck with its offer of 60p per share, it took the brokers five days to reach a level of 23.3 per cent.

After an initial flush of acceptances the market in Scott shares dried up. Two of Scott's largest shareholders—Advest Group with 7.54 per cent (purchased when it was involved in bid talks with Scott in 1970) and the Prudential Assurance with 5.47 per cent—decided to sit tight—a position they have maintained since the bid. Advest said that it was waiting to see what the Scott Board's arguments were before deciding what to do.

BY DAVID CHURCHILL

COMPANY liquidations in England and Wales are running at a rate of more than 50 per cent higher than last year according to figures published by Dun and Bradstreet, a company specialising in business information.

Dun and Bradstreet says that while the official rate of liquidations is about 121 per cent, the backlog of cases still to be put before the courts suggests a true rate of 130.

The total number of liquidations in the first 39 weeks of 1980 amounted to 4,746, compared with 3,038 in the same period last year.

Dun and Bradstreet points out that the 564 compulsory liquidations in the first three quarters of 1980 are twice the total of 215 over the same period last year.

In addition, the figures for the third quarter of 1980—a total of 1,587 liquidations—are nearly 50 per cent higher than in the third quarter last year. Bankruptcies also have increased this year, according to Dun and Bradstreet, but not by as much as company liquidations. In the first three-quarters of 1980, there was a total of 2,784 bankruptcies compared with 2,516 in the same period last year. But the rate of increase in the third quarter—up by 30 per cent—suggests that the position is getting worse.

Dun and Bradstreet comments that the "statistics underline the general decline of business activity and reflect the stresses that businesses—especially smaller firms—are undergoing in today's stringent economic climate."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interiors: Curry, Energy Services and Electronics, Metalbox, Owen Owen, Supra, C. and W. Walker.	
Finals: Advant, Capesale, Cope Allman International, Parker Knoll.	
FUTURE DATES	
Interiors:	
Allied Plant	Oct. 6
Bank of Ireland	Nov. 6
Christies International	Oct. 8
F.C. Finance	Oct. 20
Fab International	Oct. 20
Gill and Duffus	Oct. 22
Reverax Chemicals	Oct. 22
Silkenlight	Oct. 7
Tanka Consolidated Invest.	Oct. 3
Finals:	
B.P.M.	Oct. 8
Burgess Products	Oct. 23
Fortwax	Oct. 9
Saint Piran	Sept. 30
Sherpe (Charles)	Oct. 2

Readymix first half setback

TAXABLE PROFITS of Readymix, a subsidiary of Ready Mixed Concrete, declined from £1,554,000 to £1,235,000 in the first half of 1980 on turnover of £8.11m (£7.62m).

Results for July and August indicate continuing low returns, say the directors, with profits well below budget. The outlook for the second half is not encouraging, they add.

The interim dividend is held at 0.85p net—last year a total of 2.96p was paid from profits of £1.66m (£1.44m).

The first-half surplus is struck after interest up from £172,000 to £410,000 and depreciation of £540,000 (£437,000). Earnings, after tax of £47,000 (£147,000), are shown down from 3.53p to 1.01p.

F. S. RATCLIFFE

An advance from £106,288 to £193,224 in pre-tax profits is reported by F. S. Ratcliffe Industries, precision spring manufacturer and painting contractor, for the year to April 30, 1980. Tax was up from £60,915 to £105,595.

The final dividend is unchanged at 4.25p for a same-again total of 5.25p.

Copper mill for Skelmersdale

THE BRITISH General Electric Company and Pirelli General Cable Works, a subsidiary of the Italian engineering group, have formed a joint company to construct and build a continuous cast copper mill.

The new company, Rodco, will begin production in 1982 to provide high quality copper rod to the two partners. GEC and Pirelli own 60 and 40 per cent respectively.

Based at Skelmersdale in the Merseyside Development Area, the project has qualified for assistance from the Department

of Industry and the Skelmersdale Development Corporation.

Over the weekend Pirelli General also announced its results for the first half of 1980. Sales rose from £50.97m to £54.44m and the operating profit pushed ahead from £2.36m to £5.03m. No historical pre-tax profit is given, but on a CCA basis there was a loss of £340,000 compared with £1.66m.

There was a share charge this time of £580,000 (nil) and the directors have deferred consideration of an interim dividend until later in the year.

The directors say sales increased due to an increase in exports and the inflationary effects of rises in the average price of copper and other raw materials.

Installation losses overseas were much reduced and improvements in productivity also contributed to greater efficiency in cable manufacture, they add.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Energy Capital (Section: Oil and Gas).
Metramar Minerals (Mines—Australia).
Mittel Corporation (Electricals).
Rand London Coal (Cann. Part. Pref. R0.10 shares: (Mines—Finance)).

Margins under pressure at Reliance Knitwear

ALTHOUGH ORDER books at Reliance Knitwear Group are generally satisfactory, they have been obtained at the expense of margins, Mr. R. W. Newman, chairman, tells members in his annual statement.

There is no sign of any improvement in the level of retail sales, he states, nor does he expect any change during the current year, which he describes as the biggest challenge the company has faced during his time

with the group.

He reports that borrowings have been contained at a reasonable level, and since the year end some have been converted onto a medium-term basis.

Although it is intended to maintain the group's involvement in textiles and clothing, Mr. Newman believes that significant future group profit growth can only be achieved by diversifying into new areas. Past diversification efforts have not been wholly successful but they have already provided the group with a broader operating base.

The chairman says it is essential that the company continues its policy of broadening this base by identifying other acquisitions selling to different markets. A number of possible purchases are under consideration, but they may take some time to bring to fruition.

As reported on August 22, taxable profits for the year to April 30, 1980, rose from £530,884 to £573,321, but the dividend total is cut from 3.68p to 3.1p with a final of 1.56p net. The directors consider the current level of earnings could not support the previous level of dividend and that it would be prudent to reduce the dividend base.

The AGM of the company will be held at Halifax on October 9, at noon.

McKeechnie link with American company

McKeechnie Brothers, the metals, chemicals and plastics group, has established a joint-venture operation with C.E. Refractories of Valley Forge, Pennsylvania, U.S.

The new operation will produce ceramic fibres used mainly for heat insulation and energy conservation. A new company has been formed, based at Widnes, called McKeechnie Refractory Fibres, which has acquired the assets of two wholly owned subsidiaries of McKeechnie Brothers, McKeechnie Refractory Fibres and McKeechnie Refractory Products.

McKeechnie will hold 51 per cent of the capital of McKeechnie Refractory Fibres, represented by the assets transferred valued at £287,458, comprising mainly plant, stock, less creditors. C.E. Refractories will hold 49 per cent of the capital represented by a cash injection of £276,185.

SPAIN		Sept. 28
1980	1979	%
High	Low	
146	203	245
275	217	270
226	203	212
137	117	122
175	141	141
282	237	275
190	136	139
283	209	253
248	200	248
123	76	111
73	58	72
69	53.2	64.2
40	33.2	61.5
71.7	58.7	68.7
68.2	57.5	65.7
107	70.7	113
92	59	89
115	102	102
65.5	51.5	63.5
70.5	58.2	68.5

SWIRE PACIFIC LIMITED

Consolidated results for the six months ended 30 June 1980 and 1980 interim dividends results the consolidated results of Swire Pacific Limited for the six months ended 30 June 1980—unaudited—were:

	Six months ended 30 June 1980	Year to 31 December 1979
	HK\$m	HK\$m
Turnover	2,012.3	1,938.4
Operating Profit	219.8	357.8
Interest Charges—net	74.6	40.8
Net Operating Profit	144.4	317.0
Share of profits of Associated Companies	19.8	21.8
Profit before Taxation	164.2	338.8
Taxation	33.6	63.5
Profit after Taxation	130.6	275.3
Minority Interests	43.4	97.7
Profit for the period	87.2	177.6
Extraordinary Items	—	2.2
Profit after Extraordinary Items	87.2	177.6
Earnings per share:		
"A" Shares	24.9 cents	50.7 cents
"B" Shares	5.0 cents	10.2 cents

Interim Dividends

The Directors of Swire Pacific Limited have today declared Interim Dividends for 1980 of 17.0 cents per "A" share and 3.4 cents per "B" share.

	1980	1979
Dividends per share:		
"A" Shares	17.0 cents	34.0 cents
"B" Shares	3.4 cents	6.8 cents

The Interim Dividends will be paid on 27 October 1980 to shareholders on the Register at the close of business on 23 October 1980. The Share Registers will be closed from 9 October 1980 to 23 October 1980, both dates inclusive.

Prospects

The results for the second half of 1980 will be considerably better than those for the first. In particular the profits of Cathay Pacific Airways will improve and Swire Properties has forecast final profits for the year of at least HK\$360 million of which HK\$243 million would be attributable to Swire Pacific. The Directors expect that the Swire Pacific Group profits for the whole of 1980 will be appreciably better than those for 1979 and that the final dividends to be recommended for the year will be more than double the interim dividends.

A full interim report is being sent to all shareholders.

Hong Kong
25 September 1980

By Order of the Board
JOHN SWIRE AND SONS (H.K.) LIMITED
Secretaries



Swire Pacific Limited
The Swire Group
Swire House, Hong Kong

This announcement complies with the requirements of the Council of The Stock Exchange in London.



Taylor Woodrow International Finance B.V.

(Incorporated with limited liability in the Netherlands)

U.S. \$20,000,000

8 3/4 per cent. Convertible Guaranteed Bonds 1990

unconditionally and irrevocably guaranteed as to payment of principal, premium (if any) and interest by, and convertible into Ordinary Shares of,

Taylor Woodrow Limited

(Incorporated with limited liability in England under the Companies Act, 1929)

Issue Price 100 per cent.

The following have agreed to subscribe or procure subscribers for the Bonds:

Hambros Bank Limited

Kuwait International Investment Co. s.a.k.

Merrill Lynch International & Co.

Wardley Limited

The Council of The Stock Exchange in London has granted permission for the 20,000 Bonds of U.S.\$1,000 each constituting the above issue to be admitted to the Official List, subject to the issue of the temporary global bond. Interest is payable semi-annually on 1st December and 1st June, the first such payment being due on 1st June, 1981.

Particulars of the Bonds are available from Exel Statistical Services Limited and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 20th October, 1980, from the Broker to the issue.

Hoare Govett Limited,
Heron House,
319/325 High Holborn,
London WC1V 7PB.

29th September, 1980

This advertisement complies with the requirements of the Council of The Stock Exchange. It is not an invitation to any person to subscribe for or purchase any securities of The Tharsis Company Limited.

THE THARSIS COMPANY LIMITED

(Registered in Scotland No. 255. Formerly The Tharsis Sulphur and Copper Company, Limited)

SHARE CAPITAL

Authorised

£ 650,000 in 2,600,000 shares of 25p each

Issued

£ 650,000

All the issued share capital of the Company has been admitted to the Official List by the Council of The Stock Exchange.

New particulars of the Company are available in the statistical services of Exel Statistical Services Limited and may be obtained during usual business hours up to and including 13th October, 1980 from either:

McGrigor, Donald & Co.,
224 Ingram Street,
GLASGOW G1 1JP.

Vickers de Costa Limited,
Regis House, King William Street,
LONDON EC4R 9AR.

29th September, 1980.

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$25,000,000

Hanson Overseas Finance B.V.

(Incorporated with limited liability in the Netherlands)

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unconditionally and irrevocably guaranteed as to payment of principal, premium (if any) and interest by, and convertible into Ordinary Shares of 25p each of,

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Swiss Bank Corporation International Limited

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The Bonds are convertible into fully paid registered Ordinary Shares at a conversion price of 192p per Ordinary Share. Full particulars of Hanson Overseas Finance B.V. and the Bonds are available in the Exel Statistical Service and may be obtained during usual business hours up to and including 13th October, 1980 from the brokers to the issue.

Hoare Govett Limited,
Heron House,
319/325 High Holborn,
London WC1V 7PB.

29th September, 1980

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1217

5000's capitalisation	Company	Last Change	Gross price on week Div (p)	Yield %	P/B
2,825	Airprun	45	—	6.7	13.7
550	Armstrong and Rhodes	22	—	1.4	6.4
10,050	Bardon, Hill	172	—	8.7	5.6
740	County Cars 10.7% P.F.	74	—	15.3	20.7
6,588	Deborah Ord.	95	—	5.5	6.8
4,837	Frank Horsell	121	—	7.8	6.5
9,535	Frederick Parker	86	—	11.0	16.7
2,080	Jackson Group	82	—	3.1	3.8
1,746	James Burrough	121	—	7.9	8.5
2,080	Robert Jenkins	310	—	31.3	10.1
2,404	Twinklark Ord.	114	—	15.1	6.8
2,211	Twinklark 15% ULS	81	—	15.0	16.5
6,888	Uniclock Holdings	46	—	3.0	6.8
12,632	Walter Alexander	100	—	8.7	5.7
5,501	W. S. Yates	240	—	12.1	5.0

† Accounts not prepared under provisions of SSAP 15.



THE SAITAMA BANK LTD

Negotiable Floating Rate U.S. Dollar

Certificates of Deposit

Maturity date 30th September 1981

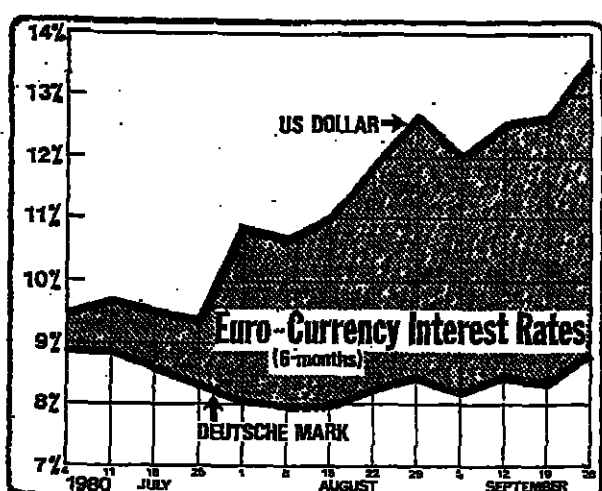
It accordance with the provisions of the Certificate of Deposit notice is hereby given that for the six month interest period from 29th September 1980 to 30th March 1981 the Certificates will carry an interest Rate of 13 1/4 per annum.

Agent Bank

Hill Samuel & Co. Limited
London

BY FRANCIS GHILES

Wilting of the convertible



BY IAN HARGREAVES

Fed charts a shaky course

short-term rates are high enough to justify another immediate jump in the prime this week. Bond prices slumped, further setting back the day when U.S. corporations will again be able to consider cheerfully raising long-term debt in their domestic market.

FT INTERNATIONAL BOND SERVICE

BONDTRE INDEX AND YIELD					
Medium term			Long term		
ap. 25..	n.s.	n.s.	n.s.	n.s.	n.s.
ap. 19..	n.s.	n.s.	n.s.	n.s.	n.s.
high '80..	88.32	(19/4)	89.19	(2/1)	
low '80..	86.32	(7/4)	71.54	(28/2)	

EUROBOND TURNOVER		
(nominal value in \$m)		
U.S. \$ bonds	Set	Euroclear
ap. 25 week	201.7	2,507.4
ap. 19 week	255.2	2,538.4
other bonds		
ap. 25 week	252.2	315.8
previous week	349.5	491.5

above annual rate for U.S.
Captive, current
CNYD = The current
field.

CONVERTIBLE BONDS: De-
ominated in dollars, less
indicated. Chg. date=
change on day. Conv. date=First
date for conversion into shares.
Conv. price=Nominal amount of
currency of share at conversion
date fixed at issue. Prem=Per-
centage premium of acquiring
premium price of current
shares via the bond over the
most recent price of the shares.

The list shows the 200 latest
international bonds for which
an adequate secondary mar-
ket exists. The prices are the past

Creditanstalt für Handel und Gewerbe AG; Credit
 Commercial de France; Credit
 Lyonnais; Commerzbank AG;
 Westdeutsche Girozentrale; Banque
 Generale du Luxembourg SA;
 Internationale Luxemburg;
 Kredietbank Luxemburg;
 Gemeenschappelijke Bank Nederland NV;
 H. M. van der Meulen, Holding and Pierson;
 Credit Suisse/Swiss Credit Bank;
 Union Bank, Switzerland;
 Anglo-Bank and Smithers, Bankers
 and Merchants International;
 Credit Commercial de France
 (Secs.); London; Citicorp Inter-
 national Bank; Daiwa Europe
 NV; Delfze Trading Company;
 Dillon, Read Overseas Corpora-
 tion; EBC; First Chicago;
 Goldman Sachs International
 Corporation; Hambros Bank, IBJ
 International; Kidder Peabody
 International; Merrill Lynch;
 Morgan Stanley International;
 Robert Thomson; Orion Bank;

Salomon Brothers International;
Samuel Montagu and Co.; Scan-
ninavian Bank; Strauss Turnbull
and Co.; Sumitomo Finance Inter-
national; S. G. Warburg and Co.;
Wood Gundy.
Closing prices on September 26

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WORLD STOCK MARKETS

HONG KONG

[illegible]

The following is a record of the principal business and financial movements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are always available whether dividends concerned are interims or final. The sub-divisions shown below are based mainly on last week's timetable.

[illegible][illegible][illegible]

How much longer can British industry stand the strain?



Its implications are important
for us all.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

This announcement appears as a matter of record only

Credit National

US \$ 125,000,000

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Unconditionally Guaranteed by
The Republic of France

Lead managed by

BANQUE DE L'INDOCHINE ET DE SUEZ
BARCLAYS BANK S.A. - PARIS
MITSUBISHI BANK (EUROPE) S.A.
SAUDI INTERNATIONAL BANK
AI-Bank Al-Saudi Al-Alami Limited

Managed by

BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.I.)
CANADIAN IMPERIAL BANK OF COMMERCE
CREDIT COMMERCIAL DE FRANCE
IRVING TRUST COMPANY
THE MITSUI TRUST AND BANKING COMPANY, LIMITED

Provided by

AL SAUDI BANQUE
BANCO DE BILBAO S.A.
BANK OF NEW SOUTH WALES
BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT (B.A.I.I.)
BANQUE DE L'INDOCHINE ET DE SUEZ
BANQUE DE NEUFILIZ, SCHLUMBERGER, MALLET
BARCLAYS BANK S.A. - PARIS
CANADIAN IMPERIAL BANK OF COMMERCE
CREDIT COMMERCIAL DE FRANCE
INTERUNION-BANQUE
IRVING TRUST COMPANY
MITSUBISHI BANK (EUROPE) S.A.
THE MITSUI TRUST AND BANKING COMPANY, LIMITED
THE NIPPON CREDIT BANK, LTD.
SAUDI INTERNATIONAL BANK
AI-Bank Al-Saudi Al-Alami Limited
SCANDINAVIAN BANK LIMITED

Agent

BANQUE DE L'INDOCHINE ET DE SUEZ



August 1980

APPOINTMENTS

New joint secretary for Prudential

Mr. Brian Medhurst has been appointed joint secretary and chief investment manager of the PRUDENTIAL ASSURANCE COMPANY. He succeeds Mr. Peter Moody, who retires on December 31, and will be proposed for election to the Board at the next annual meeting.

CHASE MANHATTAN LIMITED, the London-based merchant banking subsidiary of the Chase Manhattan Bank, has appointed Mr. Richard D. Banz, Jr., formerly manager, fixed income sales at Morgan Stanley International, to become associate director. Eurobond placements.

Following its takeover by Marsh and McLennan of the U.S., the world's largest insurance broker, C. T. BOWRING of the UK has announced another series of Board changes. With effect from August 14 Mr. James Macdonald, Mr. Richard Craig and Mr. John Rampling have become directors. Following the planned sale of SINGER AND FRIEDLANDER, Bowring's merchant banking operations, to European Ferries, Mr. A. N. Solomon and Mr. Peter Brackfield have resigned as directors with effect from September 19.

Captain Tom Price has been appointed director of ground operations for BRITISH AIRWAYS HELICOPTERS based at Gatwick. He was formerly the BAH manager at Aberdeen. Captain Michael Evans has been appointed director of flight operations, based at Aberdeen. His former post as flight operations manager is being taken over by Captain Keith Greaves. Captain Don Hoggett has been appointed special projects co-ordinator, with special responsibility for long-term planning. He will be based at Bectles.

Mr. T. M. Clark has been appointed senior manager, industry services, LLOYDS BANK INTERNATIONAL. He will be responsible for aircraft and ship finance and for establishing LBI's international overseas leasing operations. Mr. Clark is a director of Lloyds Leasing and was formerly chief manager of that company. Mr. A. Barnes, formerly deputy chief manager, has been appointed chief manager, Lloyds Leasing.

Mr. David Langston has been appointed to a newly-created post as director of international activities at the EUROPEAN MANAGEMENT FORUM in Geneva.

Mr. K. G. Addison, deputy chief general manager of the Sun Alliance and London Group, has been elected president of the CHARTERED INSURANCE INSTITUTE. He took over the presidency from Mr. R. K. Bishop, chief general manager and a director of the Phoenix Assurance Company. Mr. T. Roberts, general manager (UK), General Accident Fire and Life Assurance Corporation, was elected deputy president.

Service dealer Kentrucks of Walpole St. Andrew, near Wisbech, has become Renault trucks and buses main dealer following a merger with Derek Jones (Commercial). Kettering and is trading as DEREK JONES COMMERCIALS (EASTERN). The new board consists of Mr. Derek Jones (chairman) and Mr. Ken Jones (managing director), who are not related.

Mr. Jean-Jacques Flechter has been appointed deputy general manager of SOCIÉTÉ SUISSE POUR L'INDUSTRIE HORLOGÈRE MANAGEMENT SERVICES SA, Bienne, the parent company of the SSIH Watch Industry Group. At the same time Mr. Boris Zuckermann and Mr. Pierre Robert have been made managers of the company.

Dr. Jacques E. Mueller, who has been responsible for the management of the Zurich-based INTERSHOP HOLDING AG since its foundation, has been elected to the company's board as managing director.

Mr. Trevor E. Church has been appointed manager of aviation for AMERICAN INTERNATIONAL UNDERWRITERS (LONDON). He retains his appointment as vice-president. Mr. Martin Stevens is appointed manager of London brokered aviation account.

The Minister of Housing and Construction, has made the following appointments to the council of the AGREEMENT BOARD to serve from October 1. Mr. W. A. Allen, partner, Bickardie Allen Partners; Mr. C. Hobbs, John Laing Research and development, group scientific adviser; Mr. G. C. Jones, chief executive and town clerk, Gillingham Borough Council; Mr. J. D. Richards, partner, Scottish office of Robert Matthew Johnson-Marshall and Partners; Rear-Admiral D. G. Spikemell, technical director, Standards Institute; Mr. J. Turner, chairman, E. Turner and Sons, Cardiff; and Mr. G. White, director, Redland.

Mr. Cyril Dyke has been appointed to the board of KVERNELAND (UK), Rotterdam, as managing director.

YEOMANS has appointed Mr. Tony Beaman, as commercial director.

ICL (International Computers) has made the following changes from October 1: Mr. P. V. Ellis, deputy managing director, becomes responsible for the worldwide marketing group; Mr. L. G. Cole takes charge of the central direction of operations of major subsidiaries in Australia, France, Germany, North America and South Africa, as executive director, reporting to Mr. Ellis. A separate services group is being established to manage



Mr. Richard Banz, Jr.

services business comprising Baric, Datafisk and education and training. Mr. R. V. Holley will be director of services group.

HS ELECTRICAL CONTRACTORS, a subsidiary of Harland Simon (1980), has appointed Mr. A. Webb, managing director and Mr. F. Taylor sales director.

Mr. Douglas Eaton has joined SANDMAN CHEMICAL ENGINEERING as an associate director.

Mr. R. G. Capper, has been appointed a non-executive director of JAMES FINLAY AND CO. He remains managing director of James Finlay Corporation.

GENERAL FOODS, Banbury,

has appointed Mr. David Sofka as managing director from January 1, 1981. A former sales director at Banbury he has spent the past four years as general manager with General Foods in Spain, Sweden and Germany. The present managing director, Mr. David Horwitt, becomes managing director with GF France on the same date.

Mr. Richard Lewis, managing director of Chetwynd Streets (Midlands), Leicester, has been appointed to the board of CHETWYND STREETS (HOLDINGS).

AIR EUROPE, has appointed Mr. Stephen Carter as chief accountant.

State Street Boston Corporation has opened a branch in London, to be known as STATE STREET BANK AND TRUST COMPANY, securities, service division, and Mr. Derrick H. Stubbs has been appointed manager.

Mr. K. Buckland has been appointed marketing director of HEATEK SERVICES, Gloucester.

Mr. Brian Walker has joined UNITED LEASING, IBM leasing company, in the newly-created post of UK sales manager.

Mr. Francis (Frank) A. Juliano has been named president, customer service division, MICRODATA CORPORATION U.S.

Mr. Philip Bayliss, at present assistant general manager, LEGAL AND GENERAL ASSURANCE SOCIETY becomes assistant general manager, (inter-

national) from November 1.

HAWKER SIDDELEY has made the following group appointments: Mr. G. Penney joins the board of Crompton Parkinson Stand Welding, Mr. A. F. G. Sharples has been appointed to the board of Gloster Saro. From October 1, Mr. D. A. Rees becomes financial director of R. A. Lister and Co.; Mr. W. R. Irvine, financial director of Hawker Siddeley Power Plant and Hawker Siddeley Marine; and Mr. D. J. Bassett, general manager of R. A. Lister Agriculture and chairman of its subsidiaries, William Aitkenhead, R. A. Lister Farm Equipment and Lister Farm Sales.

Senior Army appointments from December 1980 are: Major General R. K. Guy to become Military Secretary, Ministry of Defence, in the rank of Lieutenant General, in succession to Lieutenant General Sir Robin Carnegie. Major General T. L. Morony is to be Vice-Chief of the General Staff, Ministry of Defence, in place of Lieutenant General Sir John Stanier. Major General R. F. Richardson will be Vice-Adjutant General/Director of Manning (Army), Ministry of Defence, replacing Major General M. J. Tomlinson.

Mr. William Davis is leaving the TRAFALGAR HOUSE Publishing Division, of which he is a director, on January 1, to concentrate on his own publishing company, Headway Publications. He will continue to write for Financial Weekly. Mr. Davis is editor and publisher of High Life.

JOINT COMPANY ANNOUNCEMENT

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED ("AAC")
ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED ("ANGOLD")
DUIKER EXPLORATION LIMITED ("DUIKER")
FREE STATE SAAIPLAAS GOLD MINING COMPANY LIMITED ("FSS")
WELKOM GOLD MINING COMPANY LIMITED ("WGM")
WESTERN HOLDINGS LIMITED ("WEST HOLD")

(All of which are incorporated in the Republic of South Africa)

DEVELOPMENT OF A NEW MINE IN THE ERDFEEL/DANKBAARHEID AREA AND FORMATION OF A WESTERN HOLDINGS COMPLEX

On 14 July 1980 it was announced that agreement in principle had been reached to establish a new mine with a mill capacity of 200 000 tons per month in the Erdfeel/Dankbaarheid area. The mine would be part of a larger West Hold complex resulting from the merging of the operations of FSS, WGM and West Hold.

The mineral right holders of the Erdfeel/Dankbaarheid area and West Hold also agreed to form a new company to finance the after-tax cost of turning this area to account through the provision of loans to West Hold. A company named Eastern Gold Holdings Limited ("East Hold") is being incorporated for this purpose. The issued capital of which will be held approximately as follows:-

	% Interest
AAC (and sub-participants)	44.5
Angold	9.5
Duiker	36.0
West Hold	10.0
	100.0

After taking into account the repayment of the finance provided by East Hold, East Hold and West Hold will share gross revenue and gross working expenditure in respect of mining operations in the Erdfeel/Dankbaarheid areas as follows:-

	%
East Hold	85%
West Hold	15%
	100%

Consideration will be given to the procurement of a stock exchange listing for East Hold shares at a time nearer to the commissioning date of the new mine.

Working costs are expected to be similar to those of comparable mines in the Orange Free State. Capital expenditure to bring the new mine up to full production has initially been estimated at approximately R400 million in 1980 money terms, but this excludes potential savings from the merging of the three companies' operations. Bearing in mind the arrangements between West Hold and East Hold and the fact that a portion of this capital expenditure will be financed out of cash flows generated by initial operations, it is currently expected that the peak requirements for new money from East Hold are of the order of R100 million in 1980 money terms. The shareholders in East Hold will be responsible for finding the necessary funds in proportion to their shareholdings.

Circulars are being prepared calling meetings of the shareholders of WGM, FSS and West Hold. Shareholders of WGM and FSS will be asked to ratify the disposal of the assets, and the mining title of those companies to West Hold in exchange for the issue of the following numbers of West Hold shares:-

To WGM:	3 185 000 shares in West Hold
To FSS:	3 653 000 shares in West Hold

Shareholders of West Hold will be asked to increase the capital of West Hold to give effect to these proposals.

The implementation of the proposed arrangements will be subject to certain conditions including the passing of the resolutions by the shareholders concerned and the consent of the Minister of Mineral and Energy Affairs to the proposals and to the granting and cession of the mining leases. In the last respect, applications have been made to the Minister for a mining lease over the Erdfeel/Dankbaarheid area to be granted to the miners' right owners and for the cession of this lease to FSS. In addition, his approval has been sought for FSS to cede its enlarged mining lease to West Hold and for WGM to cede its mining lease to West Hold.

When the Minister's consent has been received and the other conditions have been met, proposals will be put to the shareholders of FSS and WGM to make FSS a wholly-owned subsidiary of WGM.

Copies of this announcement are being posted to all members of Duiker, FSS, WGM and West Hold at their registered addresses.

Johannesburg, 27 September 1980.

THE CAPITAL & NATIONAL TRUST LIMITED

Secretary and Manager - Investment Trust Services Limited

Three year summary of results

Year ended	Gross Revenue	Ordinary Shares Earned per share	Paid per share	Gross Assets (less current liabilities)	Net Asset Value per Equity share
31st July	£'000			£'000	
1978	1,242	4.68p	4.60p	28,317	179.2p
1979	1,347	5.18p	5.75p	28,152	165.5p
1980	1,795	7.38p	6.75p	31,755	201.9p

* The dividend for 1979 and the earnings for 1980, include 0.80p in respect of arrears of dividend received from "Shell" and Unilever.

Annual capitalisation issues have been made to "B" Ordinary Shareholders as follows:

1978	2,687,548.1%	1979	3,474,888.5%	1980	3,590,789.9%
------	--------------	------	--------------	------	--------------

In his statement SIR HUGH MACKAY-TALLACK said: "The present world wide recession cannot be conducive to buoyant company profits or dividend increases on a substantial scale, but we are confident that our portfolio is capable of giving a good account of itself over the coming year and that the current dividend will be maintained."

Copies of the Accounts are available from the Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

CONTRACTS AND TENDERS

SYRIA

ANNOUNCEMENT OF EXTENSION
OF THE CLOSING DATE OF A TENDER
TO A SECOND TIME

The Syrian Petroleum Company announces that the closing date of the tender concerning the project of Gas Well Completion, Testing and Reserve Estimation and Field Deliverability on the basis of full contractor's obligation for the whole project, including equipment, studies and training, has been extended again until the end of working hours of Thursday 30th October 1980, instead of the previously fixed date (7th September 1980). Tender File 43/80 all the other terms and conditions indicated in the tender book remain unchanged.

General Director
Eng. Issa Ibrahim Yousef

TECHNICAL TRANSLATION

A comprehensive translation service for engineering subjects for the People's Republic of China, the Middle East, Eastern Europe including Russia and Latin America. Plus complete in-house typesetting, artwork and printing facilities for Specifications, B.O.Q's, Legal Documents, and Technical Manuals. Also translations by Telex and Facsimile.

For details contact David Mealing

WORLD-WIDE LANGUAGES

74 Newman Street, London W1P 3LA, England. Telephone: 01-638 4166, Telex: 8254124, Facsimile: 636 9147

TENDER

The Government of the People's Democratic Republic of Yemen invites bids from qualified international contractors for the construction of a new central telephone building. The scope of work includes mainly:-
-The construction of a new building
-Design, supply and erection of central air conditioning and ventilation system
Tender documents can be obtained as from 20th September, 1980, from the Ministry of Communications in Aden, or from the Telephone Directorate, Mulla, Aden, against a non-refundable charge of one hundred and twenty Yemeni Dinars (DYD 120/-) or any other equivalent foreign currency. Completed tenders should be delivered to the Secretary, Central Tender Board, P.D.R.Y., Aden, not later than noon on Thursday, 20th November, 1980.

CENTRAL TENDER BOARD P.D.R.Y.

TENDER

The Government of the People's Democratic Republic of Yemen invites bids from qualified international contractors for the rehabilitation and modernisation of the existing main building and the main hall at Al-Gamhoura Teaching Hospital in Aden. This project will be financed by the Government of Aden. The scope of work includes mainly:-
-The addition of new wing areas, area 500m².
-Replacement of all drainage, plumbing, mechanical air conditioning and ventilation systems.
-Renovation of the existing electrical installation (vertical transportation system is lift).
-Replacement of kitchen and laundry equipment.
-Demolition and reconstruction of some parts of the existing buildings.

Tender documents can be obtained as from 20th September, 1980, from the Ministry of Public Health in Aden, or from the Arab Institute for Design and Studies, P.O. Box No. 671, Beirut, Lebanon, against a non-refundable charge of one hundred and twenty Yemeni Dinars (DYD 120/-) or any other equivalent foreign currency. Completed tenders should be delivered to the Secretary, Central Tender Board, P.D.R.Y., Aden, not later than noon on Thursday, 20th November, 1980.

CENTRAL TENDER BOARD P.D.R.Y.

PERSONAL

ECONOMY - EFFICIENCY HUMANITY

All three can be achieved in the testing of chemical and medical products by using alternatives to laboratory animals. Please support FRAME in its promotion of non-animal methods by 2 letters or any other equivalent foreign currency. Write for details to: FRAME (Fund for the Replacement of Animals in Medical Experiments) 312a Worple Road, SW20

TELECOMMUNICATIONS PROJECT PREQUALIFICATION INVITATION THE PROJECT

A Middle East press agency is developing to the standards of the most significant world news agencies. Specifically, a major turnkey project is to be tendered for in November 1980 and will comprise:

* A centrally located fully furnished 7,000 square metre multi-storey main building, housing shortwave (HF) reception and recording equipment, microwave link terminal, intra-nation communications network MUX facilities, PABX and a duplicated computer system with smart video terminals, primarily for news processing functions.

* An adjacent secondary building will incorporate parking, guard accommodation and main building standby power generation (one and a half megawatts).

* Approximately 30 kilometres away will be a one and a half square kilometre transmitting site, incorporating a power building (primary generation of about two megawatts), a transmitter building and antenna farm for worldwide HF coverage, as well as guard buildings, site roads and fences.

CONTRACT SCOPE

Based on turnkey performance specifications the contractor will perform all detailed working design, installations and training of the client's personnel during a two-year period. A mandatory two-year operation and maintenance period will follow. The contractor will be responsible for all electronics, civil, mechanical, architectural and electrical works.

PREQUALIFICATION

This diversified project may require conglomeration of a number of companies. Proven experience and performance in multi-disciplined ventures is a prerequisite for participation. Emphasis will be placed on project leadership from an electronics sector able to interface telecommunications with computer hardware and software, while co-ordinating and integrating other disciplines. Potential joint ventures or consortiums should submit pre-qualification documentation of final status, related project experience, human and technical resources as well as an outline of intended project organisation and management. No further information will be given at this stage. Submissions should be made as soon as possible and no later than 16 October 1980 to:

Project 1457, Suite 1, 64 South Audley Street
London W1Y 5FD, England

EMIRATES AND SUDAN INVESTMENT COMPANY

announces that the closing date
for submission of tenders
for the construction of

PORT UDAN HOTEL

is the

30th OCTOBER, 1980

instead of

19th OCTOBER, 1980

TRAVEL

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Building and Civil Engineering

£15m road award to Balfour Beatty

WORK IS to start soon on another section of the M25.

Balfour Beatty Southern Construction Division (BICC Group) has been awarded the £15m contract by the Department of Transport, South Eastern Road Construction Unit. It covers the Yeoveney to Poyle section, between north Staines and Poyle, just to the west of Heathrow Airport.

The works will involve 2km of dual four-lane motorway with about 1km of dual and three-

lane motorway, and an associated spur road consisting of a dual two-lane layout just over 1km long.

An interchange at Poyle will be of the normal elevated roundabout type with slip roads connecting to the motorway, at the junction of the A3044 the existing roundabout is to be reconstructed.

Two large bridges and nine smaller structures are included, together with lighting, signing, motorway communications and other ancillary equipment.

£3½m job for Myton

CONSTRUCTION of a two-storey computer building with ancillary buildings for the Post Office at Sandridge, near St Albans, Hertfordshire, is to be undertaken by Myton (Taylor Woodrow Group).

Architect for the £3½m project is Kenneth Pring and Associates; consulting engineer,

Cooper McDonald and Partners; and quantity surveyor, Samuel Leigh and Partners.

The block will cover some 68,000 sq ft. It will be built with a reinforced concrete frame at ground floor level with a structural steel frame for the first floor and roof. Work will be completed in early 1982.

Awards to Ernest Ireland

WORK HAS just been started by Ernest Ireland Construction (Mowlem Group) on a 62,000 sq ft superstore for Tesco at the Yate Shopping Centre near Bristol.

In addition, 10 shops, seven two bedroom flats and car parking for 1,350 vehicles are to be provided under the £24m contract. The architects are Stone Toms and Partners and completion is due in about a year.

The company has also won four civil engineering contracts in the West of England totalling about £1.8m.

Largest project is a £900,000 flood alleviation scheme on the River Cam and a tributary, for the Severn Trent Water Authority. Work has started on this and involves widening and deepening the river and the Wicksters Brook along a 12.5 km length to increase flow and water capacity. Excavated

material will be used to improve embankments and other work comprises building a pumping station and river gauging station, installing a thrust-bore culvert, underpinning bridge abutments, providing four new access bridges and seven footbridges and culvert crossings.

Another flood alleviation job is at Trowbridge, Wiltshire, for the Wessex Water Authority (£800,000) and is the first of a two-phased project to improve the flow of the River Biss through the town.

County Bridge, which carries the A367 Bath-Shepton Mallet road in the centre of Radstock, is being replaced by Avon County Council under a contract worth £190,000 and Somerset County Council has awarded a £114,000 contract for the stabilisation of an 80-metre section of the main south wall at Bridgwater Dock.

£9m bus garage by Boot

SOUTH YORKSHIRE Passenger Transport Executive has awarded a contract worth more than £9m, for the construction of a new bus garage to serve the Rotherham area, to Henry Boot Construction.

With room for 160 buses, the works include the main single-storey garage with maintenance workshops, offices, dining room, boiler house, stores and

ancillary buildings totalling 20,900 sq metres.

Henry Boot Construction has also won an £800,000 contract for Phase 3 of the Hamilton, Lanarkshire, town centre shopping development from Copthall Holdings, Hayes, Middlesex. Work includes the erection of a two-storey retail store and 11 two-storey shops. The work is scheduled for completion next June.

Leech busy on housing

TWO PRIVATE residential projects worth a total of nearly £7m are being undertaken by Leech Homes (North West) in Lancashire.

Work has started at Accrington on a £4.6m development comprising more than 200 homes. At Clayton-le-Woods, nearly 90 units will be built in

two phases at a cost around £2.3m.

Roads and sewers are presently under construction at the 20-acre Accrington site and the first 212 units should be completed early next year. These homes will be in the £20,000 to £35,000 price range. Work on the Clayton-le-Woods project starts next month.

Shoots a line safely

PRODUCTION WILL start soon on what is said to be a thoroughly and successfully prototype compressed air launcher, the AL-80, announces Plumett, West Grinstead, Horsham, West Sussex (040386 310).

The launcher is suggested for a variety of tasks including grapple/anchor throwing, a fast deployment of lifting parachutes, launching flares or decoys and firing anchoring spikes in the ground.

The company's objective has

been to create a low cost, versatile and efficient line launcher for marine and land use which can be operated in utter safety even in explosive atmospheres.

It says that compressed air is not only safe, but also has sufficient energy to throw a 5.5 mm line 280 metres.

The actual production units are promised to operate at a higher pressure than the prototype and will therefore have a significantly increased performance, says Plumett.

Glasgow road interchange

STRATHCLYDE Regional Council has awarded a £4m contract for stage two of the Townhead Interchange to Whatlings (Civil Engineering), Glasgow. Besides the building of 1,050 metres of dual carriageway, slip-roads and surface streets the contract includes a bridge with five continuous reinforced concrete spans and a single-span bridge.

Whatlings will be responsible

for four retaining walls, sign gantries, high mast lights and parapets. It will also coordinate major diversions in Glasgow's public utility services and a road system to carry heavy traffic while the interchange, at the junction of the M8 and the A803 from Glasgow to Kirkcaldy, is under construction. Work is scheduled to begin in November and to be completed in January, 1983.

£3m shopping complex

A CONTRACT worth over £3m, to build a shopping complex at Loughborough—off the A6 trunk road between Leicester and Nottingham—has been awarded to Y. J. Lovell (Midland).

Work has started on the project, known as the Gorse Covert Centre, on a greenfield site in Maxwell Drive. The development comprises four sections: a superstore, a single-storey com-

munity centre, seven shops with flats above and a filling station. The contract also includes fitting out the superstore, provision of loading bays, car parking and landscaping.

Architects for the project are Essex Goodman and Suggitt. Consulting engineers are John Ward and Partners and the quantity surveyors are John Evers and Partners.

Roads and sewers work

UNDER A second contract valued at about £1m, Mears Contractors will continue work for Hampshire County Council at the Segenworth West Employment Area (Phase 1B).

Operations started last month when the company began remov-

ing some of the 10,000 cubic metres of earth included in the work which also involves the construction of 23 km of roads and 4 km of drainage up to 84 metres deep with pipe sizes ranging from 150 mm to 900 mm in diameter.

Laing prepares for £7m project

THE FIRST phase of an industrial development by The Boots Company is now under way on the Windmill Industrial Estate near Cramlington, Northumberland, following a management contract worth about £7m awarded to Laing Management Contracting.

The 90-acre site is adjacent to the main London-Edinburgh railway line and is within a mile of the A1 trunk road. The initial phase of the contract involves extensive excavation—partly through rock—and earthmoving to prepare the site.

Landscaping is to take place at an early stage so that planting and seeding will be well established when production commences. An existing copse on the site is to be cleared of deadwood and developed as a natural feature and enhanced by the formation of a fire reservoir developed as a lake.

Site roads are to be constructed together with parallel grouped service zones containing drainage, water mains, power lines, telephone services and ducted alarm and signal cables. Disused 19th century

mineworkings running beneath the site will be grouted and capped. Completion of the contract is due in late 1982.

Principal agents for the client are Ove Arup and Partners and they, together with the architects, Faulkner-Brown Hendy Watkinson and Stonor, of Newcastle upon Tyne and quantity surveyors, Gleeds of Nottingham, are the design team.

Hospital and housing

THREE contracts totalling £6.25m have been won by Robert Marriott (French Kier Group).

One contract, worth almost £3.2m, is for the construction of 132 dwellings at Oldbrook 2 for the Milton Keynes Development Corporation. The work will take about two years to complete.

Another contract, worth just under £1.5m, is for 103 dwellings for the Muir Group Housing

Association at Godmanchester, Huntingdon. The dwellings, of which there are 71 houses and 32 flats, are to be built using the Frame Form system.

The third award is for the construction of the Three Shires private hospital, at St Andrews, Northampton, Worth £1.25m, it is being constructed for the Trustees of this independent hospital, and will be part precast, part in-situ concrete, on two storeys.

Pipeline venture

A JOINT venture, Costain Spie Capag, has been formed to carry out land-based transmission and distribution pipeline contracts and mechanical and civil engineering contracts associated with pipeline work in the UK.

It has been set up by Costain Civil Engineering and Spie Capag of Immenhulst, Oslo 2, Place de L'Equerre, Silic 312, Rungis, France. Both companies have an equal share in the partnership, which has been established primarily to serve the gas and oil industries.

Computer centre

CONSTRUCTION OF a computer centre in Queen's Road, Reading for Heron Corporation brings £5.6m to Higgs and Hill's new contracts.

This is to be leased to the Department of the Environment through the Property Services Agency for use by the Department of Health and Social Security and will be linked at three levels to the existing DHSS offices.

Included in the complex will be offices and a car park together with 11 two-person flats. The building has been designed to harmonise with the surrounding urban environment with elevations in red multi-faceted brick and natural slate pitched roofs.

Flats are designed in similar materials, in two and three storeys and are to be sold independently by Heron.

Contract is due for completion towards the end of 1982. Architects are Broadway and Malvan.

Insulated roof

AN ALUMINIUM insulated composite roof has been installed at the Northern District Post Office, Upper Street, Islington, London, N.1, by Insal-B and N (Engineers), of Middlesbrough. Known as the Korrugal Energi roof, it is manufactured by Granges of Sweden and marketed in Britain by Granges Essem (UK), Croydon.

The Korrugal roof is claimed to achieve a U value in thermal efficiency of up to 0.2 Watts per square metre Centigrade without cold bridges or air leaks. Fireproof breather paper included in the system is claimed to reduce convection heat loss to a minimum.

Renovation of Tower Bridge

THE FIRST steps towards making London's Tower Bridge an even bigger attraction for tourists will be taken today when Holland, Hannen and Cubitts start work there.

The company, part of the Tarmac Group, has been given a £3.4m contract by the City of London Corporation to undertake renovations and provide tourist facilities.

Included in the contract is restoration of the main towers, glazed enclosure of the high-level walkways and provision of "escape" stairways within redundant lift shafts.

As part of the overall scheme designed by Holford Associates

under the general direction of G. W. Pickin, City Engineer, a museum is to be provided in an old boiler house in the arches of the south approach, while new stairways will give access from the riverside embankments.

The contract also includes repairing stonework and replacing with glassfibre replicas the damaged and missing embellishments to the exterior of the bridge. Mechanical and electrical services will include new lighting and heating systems. The new tourist facilities are to be completed in readiness for the 1982 season. Mott, Hay and Anderson are the consulting

engineers and Kenneth R. Kensall and Partners the quantity surveyors.

Tower Bridge, opened in 1894, is in the custody of the Bridge House Estates, a trust administered by the City of London Corporation. The bridge connects the London Borough of Tower Hamlets and Southwark and carries the A100 across the River Thames.

Cubitts has also won a £11m contract to build seven "nursery" factories at Moss Side, Leyland, for the Central Lancashire Development Corporation. Work on this project is about to start.

Paper mill project

OUTLINE planning permission for a £70m tissue paper mill at Grimsby, South Humberside, is being sought by architects Scott, Brownrigg and Turner on behalf of the Bowater-Scott Corporation.

The project envisages a first-phase development of 37,500 sq metres, with the possibility of 75,000 sq metres if future demand merits a major expansion. The initial production capacity of the mill would be 40,000 tonnes of finished tissue a year. The planned site is adjacent to the proposed A18M motorway link.

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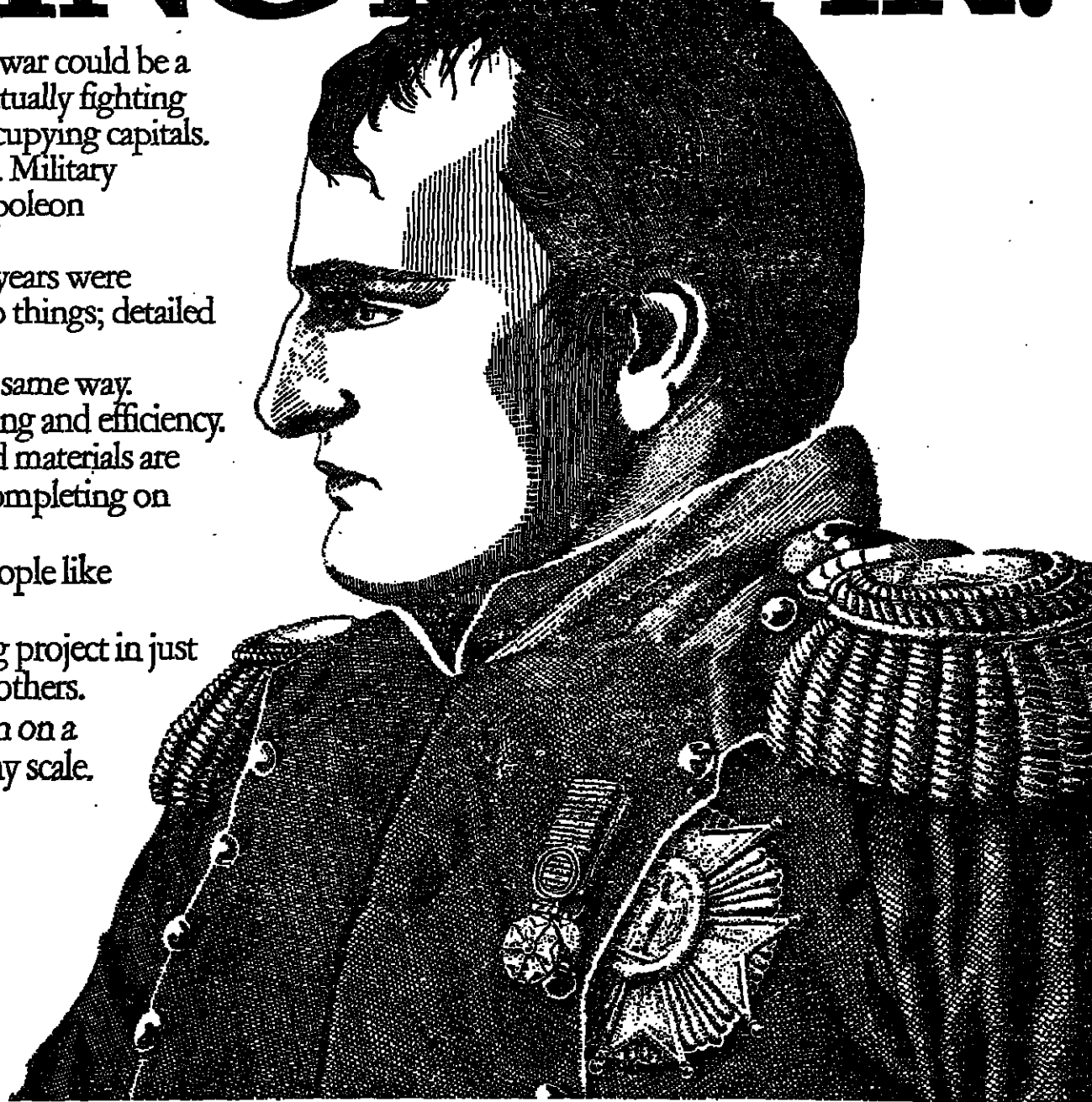
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Labour moderates see hopes slipping

BY CHRISTIAN TYLER, LABOUR EDITOR

LABOUR PARTY moderates last night saw their hopes of shifting the balance of power in their favour on the party's Left-dominated national executive committee fade suddenly away.

The Amalgamated Union of Engineering Workers, on which the moderates were pinning their hopes, will be putting its 928,000 block vote behind Left-wing candidates in the executive elections for the Labour Party at Blackpool this week.

Following what the union's leaders claimed was a mix-up at the meeting yesterday of its 35-man delegation.

On every vote, the delegates split 18-17 in favour of the Left or for incumbents it has traditionally supported.

The union's Right-wing leaders looked on helplessly as the delegation ran through the list.

Sir John Boyd, general secretary, later claimed that despite instructions before the meeting a delegate from Dorset, Mr. D. A. Knott, had confessed afterwards he did not realise whom he was voting for.

"I told him who to vote for," Sir John said.

Mr. Terry Duffy, AUEW president, said that Mr. Knott "was very, very sorry for what

he did." But the upshot was that the union's chance of altering the composition of the national executive committee had gone for this year.

The upset—and there has been one almost every year for the last five—was only possible because the delegates did not come mandated on how to vote. However, on the Labour Party constitutional issues, they duly fell in with the instructions of their national policy-making committee, which was specially reconvened before the conference to ensure that the AUEW engineering section

under Sir John Boyd supported the Callaghan line.

After yesterday's rebuff, the next year. By then, they will be armed with new rules that ensure that conference delegates are unashamedly designed to reflect the current Right-wing majority in the engineering section's national committee.

This will be effected by making delegates electable by divisional committees, instead of by branch ballots where the Left traditionally fares better.

The chief significance of the AUEW decision yesterday is that the Left-wingers in the women's section, where the right had hoped to make its

chief inroads, look much less vulnerable. They are Miss Joan Maynard, Mrs. Judith Hart, Mrs. Renee Short and Mrs. Audrey Wise.

As for the rest of the conference agenda, the AUEW engineering section will vote with the moderates and will support multilateral, as opposed to unilateral, disarmament in the important defence debate later this week. But because of its own policy, it will vote for Britain's withdrawal from the EEC.

Meanwhile, the separate fringes between Left and Right-wing union leaders in the wake of TUC committee changes last week may be smoothed over in the next few days. Mr. Moss Evans, of the Transport and General Workers Union—which has been accused of a campaign to unseat senior moderates—refused to comment further yesterday on the replacement of Mr. Sid Weighell, of the National Union of Railwaymen, as chairman of the TUC transport committee by the TGWU executive officer, Mr. Larry Smith.

A meeting between the three men is planned. But it seemed unlikely yesterday that the union would simply hand the job back to Mr. Weighell.

Group of Ten cool over Third World call for monetary reform

BY JUREK MARTIN, PETER RIDDELL AND NICHOLAS COLCHESTER IN WASHINGTON

THE MAJOR industrial nations yesterday continued to look frostily at demands from the developing world for substantial reform of the monetary system and for a major expansion of the resources of the International Monetary Fund and World Bank.

This week's annual meeting of the fund and bank, which officially begins tomorrow, is expected to authorise modest steps to make more credit available on slightly easier terms.

But a communiqué issued after a meeting of the Group of Ten leading finance ministers on Saturday emphasised that "the basic character of fund lending should be preserved."

The meeting, preceded yesterday by a session of the IMF's policy-making interim committee, still has to resolve the thorny problem of the request by the Palestine Liberation Organisation (PLO).

The joint procedures committee is due to meet tonight under the chairmanship of Mr. Amir Jamal of Tanzania to try to force a compromise. But it remains possible that the PLO's status will be raised on the floor of the annual meeting.

This week will also see the

valetudinary appearance of Mr. Robert McNamara after 12 years as president of the World Bank. In his formal speech he is expected to offer some prescription for the world's development needs in the last 20 years of this century.

Traditionally, the presidency has always been filled by an American, and though the current U.S. Administration has given no clues about whom it might propose, it is likely to sound out other nations on the succession this week.

But the principal focus of attention here remains the structural reform. Tacitly admitting that its requirements were not likely to be met, Mr. Edgar, the Nigerian Finance Minister, said yesterday that though the IMF was making progress, "it is moving too slowly."

What is being offered this week is a modest "food" facility to help the poorest countries build up food stocks and an interest rate subsidy account to reduce the cost of borrowing from the IMF and financed through the gold-backed IMF Trust Fund.

Additionally, the meeting

should ratify the precedent set in this year's loan to Turkey entitling a member nation to borrow up to 600 per cent of its quota over a three-year span, instead of 400 to 500 per cent.

Discussions will also centre on the size of a new allocation of special drawing rights (the IMF's own currency) beginning in 1982.

The developing nations are pushing for a larger distribution and received qualified support for their demand over the weekend in an IMF staff paper.

But no final agreement is anticipated on this subject in the next few days—nor is it thought likely that the Ministers will do more than authorise further study on the possibility of the IMF borrowing directly from the capital markets.

Yesterday's IMF interim committee meeting also focused on the general world economic outlook. The Group of Ten communiqué had noted "with concern" that no improvement in the outlook had occurred in the last six months.

IMF torments in a changing world. Page 13

Other reports, Page 3

Right link with Munich bombing

BY ROGER BOYES

RIGHT-WING German terrorists are believed to have been responsible for the Munich bomb blast on Friday night which killed 12 people and injured over 200, many of them seriously.

The explosion ripped through the Munich Oktoberfest beer festival shortly after 10 p.m. In terms of casualties it was the worst terrorist outrage in Germany since the murder of Israeli athletes at the 1972 Olympics.

One of the dead, named as Herr Gundolf Koehler, was believed by police to have actually planted the pipe-bomb, which was electronically detonated from a car close to the field where the festival is held.

Other victims include an Englishman and a Swiss. The Bavarian authorities named him as Mr. Errol Vere-Edgely, 25, who was married and living in Germany.

The bomb outrage has already become a delicate political issue so soon before the October 5 election, which will decide between Chancellor Helmut Schmidt and his Opposition challenger, Herr Franz Josef Strauss.

Herr Strauss, who is also Bavaria state premier, broke off his campaigning to inspect the scene of the explosion and immediately criticised Herr Gerhard Baum, the country's Interior Minister, for creating a climate in which such atrocities could take place. Chancellor Schmidt meanwhile says the explosion should not become an ethnic issue.

Both the Bavarian and the Federal investigators, who are co-operating on the case, are now certain the blast was caused by Right-wing extremists.

There are three main indications for this. Firstly, the body identified as Herr Koehler's was carrying a membership card issued by a para-military Right-wing group known as the Hoffman Association.

This group was raided by police earlier in the year, and

uniforms, small arms explosives and even an armoured car were confiscated from members.

Second, a phone call to a Munich newspaper claimed responsibility for the bombing, announcing "we are the rightists from Bologna." The bomb explosion in Bologna station last month—caused by a similar bomb—killed 89 people.

Finally, the explosion carried none of the hallmarks of Left-wing terrorism, who have concentrated on kidnapping or murdering prominent citizens regarded as symbols of the Federal Republic.

Herr Gerold Tandler, the Bavarian Interior Minister, and Dr. Kurt Rebmann, the Chief Federal Prosecutor, said yesterday that the leader of the Hoffman group, Herr Karl Heinz Hoffmann, had been arrested. Other members of the group driving three military surplus vehicles over the German border into Austria had been detained. But police are still searching for the men who actually detonated the bomb.

Violent

The motive for the bomb attack is still unclear. Both Herr Strauss and Chancellor Schmidt have said it must have been the act of madmen.

In general Left-wing terrorism in Germany has been aimed at provoking an authoritarian backlash—and thus, in the terrorist view, bringing the country closer to a revolution. Right-wing terrorists, however, would have no such aim. But like their Italian counterparts, they tend to increase their membership at times of political polarisation.

There are estimated to be about 400 members or supporters of the Hoffman group, which this year has been operating largely underground. There are also several dozen or so violent Right-wing incidents over the past five years in Germany, none of them fatal.

No threat to the state, Page 3

Shell arm's £1.25bn deal with Saudis

BY OUR JEDDAH CORRESPONDENT

SAUDI ARABIA yesterday signed a contract worth 10bn Saudi riyals (£1.25bn) with Royal Dutch Shell's U.S. arm for part of the giant petrochemical complex at Jubail, on the Gulf coast north of Dammam.

The contract, the largest ever signed by the Saudi Basic Industries Corporation (SABIC), is a joint venture between SABIC and the Royal Dutch Shell group for Shell in the kingdom.

Each side will put up \$400m (£166.4m) and the balance of the £1.25bn will be raised by borrowing.

Yesterday's agreement was signed in Riyadh by Shell representatives and Dr. Ghazi al-Ghassbi, the Saudi Minister for Industry and Electricity.

Jubail and the Red Sea complex at Yanbu are considered showpieces by the Saudi Government and vitally important in its attempt to expand out of basic oil products.

The Jubail project is by far the largest involving any Shell company in Saudi Arabia. The group is also due to sign a deal worth \$5.1bn for an oil refinery, which will be a joint venture between Shell International and Petrochem, the Saudi petroleum and minerals corporation.

Shell's Jubail project is due to come on stream in 1985. Annual output is planned at 550,000 tonnes of ethylene, 235,000 tonnes of styrene, 454,000 tonnes of ethylene dichloride, 281,000 tonnes of industrial ethanol, 377,000 tonnes of caustic soda, 333,000 tonnes of chlorine and 327,000 tonnes of benzene.

Dr. Abdul Al-Zamil, deputy governor of SABIC, said the

complex "would make the Kingdom a real competitor in world markets. Industrialised countries either have no such resources or very limited ones."

He dismissed reports that the Saudis would sell below world market prices, saying that all output would go on the market at whatever prices prevailed.

The Jubail and Yanbu schemes are projected as the largest in the world once fully operational. The Shell project, much the largest of the petrochemical deals announced or under negotiation with American oil and chemical companies.

UK TODAY
RAIN in N. and W., dry elsewhere.
London, S. E. and E. England, Midlands, Channel Isles. Mainly dry, sunny intervals. Max. 17-19C (63-66F). S.W., N.W. and N. England, Wales.

Bright start, rain later. Max. 15-17C (59-63F). Lakes, L. of Mon. N.E. England, S.W. Scotland, Glasgow, Borders, Edinburgh, Dundee, Aberdeen.

N. Ireland
Cloudy, rain, heavy at times. Max. 13-15C (55-59F). Rest of Scotland, Orkney, Shetland.

Rain, heavy at times, becoming showery, S.W. gale. Max. 11-13C (52-55F).
Outlook: Rain in most areas.

Algiers	28	32	London	19	26
Alexandria	28	32	London	19	26
Athens	24	26	London	19	26
Bahrain	35	36	Luxemb.	14	17
Barcelona	25	27	Luxon	13	100
Bombay	29	32	Madrid	12	18
Buenos Aires	19	22	Madrid	12	18
Calcutta	20	28	Madrid	12	18
Canton	13	15	Madrid	12	18
Cebu	24	26	Madrid	12	18
Colon	18	20	Madrid	12	18
Copenhagen	14	17	Madrid	12	18
Dakar	24	26	Madrid	12	18
Dhaka	21	24	Madrid	12	18
Dublin	16	18	Madrid	12	18
Hankow	16	18	Madrid	12	18
Hong Kong	21	24	Madrid	12	18
Kobe	16	18	Madrid	12	18
London	19	26	Madrid	12	18
Lyons	14	17	Madrid	12	18
Manila	24	26	Madrid	12	18
Medan	24	26	Madrid	12	18
Moscow	14	17	Madrid	12	18
Mumbai	29	32	Madrid	12	18
Nairobi	19	22	Madrid	12	18
Rangoon	24	26	Madrid	12	18
Reykjavik	14	17	Madrid	12	18
Rio de Janeiro	19	22	Madrid	12	18
Sao Paulo	19	22	Madrid	12	18
Seoul	14	17	Madrid	12	18
Singapore	24	26	Madrid	12	18
Sourabaya	24	26	Madrid	12	18
Taipei	24	26	Madrid	12	18
Tokyo	14	17	Madrid	12	18
Yokohama	14	17	Madrid	12	18

Manifesto

issue this week will be on defence, but here the indications are that Mr. Callaghan will see a fiercely unilateralist resolution defeated by trade union block votes.

There is little doubt, however, that the party's rank-and-file activists are moving fast towards unilateral nuclear disarmament, and this could also develop before the next general election into a highly divisive internal issue.

The hopes of Mr. Callaghan and the Right of modifying the Leftward stance of the National Executive Committee sank last night with the news that the AUEW, the second largest union, was not prepared to support the ousting of two Left-wingers from the women's section.

This means that Mr. Callaghan and the leadership will continue to face a Left-dominated NEC during the coming year.

THE LEX COLUMN

Beta's lust for life

"Beta is dead," crowed the Institutional Investor a few months ago, claiming to have unearthed a crack in the very foundations of modern portfolio theory (MPT). In fact this appears to have been a case of a highly premature obituary. On this side of the Atlantic, of course, the debate is hardly so controversial: it is not a matter of beta being dead, more a question of whether it can be nursed into any sort of active life.

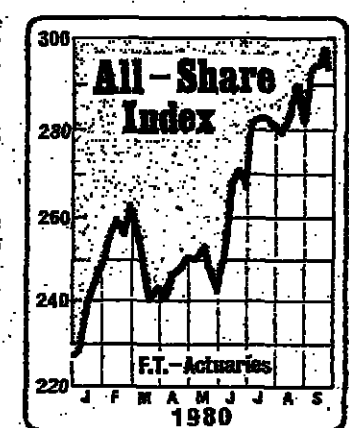
When the academics decided to apply statistical techniques to the stock market and to the management of investment portfolios, there was an obvious gulf to be bridged between campus and commerce. In the U.S. the academics were perhaps rather fortunate in that the ERISA legislation came along to wither the minds of pension fund administrators on their awesome responsibilities to beneficiaries. Technique for the measurement and management of risk found a receptive market.

Practitioners

A good deal of work in this area in the UK has been done by the London Business School. But it was interesting last week to find a new initiative coming from the Department of Economics in the University of Exeter, where the Exeter Fairbairn Centre for the study of unit and investment trusts staged a one-day conference on the theme of MPT and financial institutions. The aim was to bring together on an equal footing both academics and practitioners—the latter including representatives from unit and investment trusts, merchant banks, stockbrokers, life offices and pension funds.

An important theme was the internationalisation of portfolio investment, something that has become easily practicable for UK funds since the abolition of exchange controls (bearing in mind that the investment trusts have long offered high international exposure). Reduction of risk through overseas diversification is a key lesson of MPT, and it is now being followed up quite keenly by many U.S. funds.

Many UK pension funds and insurance companies are now aiming at an overseas content of around 15 per cent, and there is a trend towards unhedged exposure rather than the hedged approach using currency loans—which have been repaid on a very large scale in recent months. But if international investment flows become very large they will cause all the major markets to move more or less in line and



thus paradoxically remove many of the theoretical benefits of diversification.

In general, though, the practitioners tended to be rather sceptical of the value of MPT. The life office actuaries, for instance, considered MPT to be just an interesting occasional tool—a bit like charts. But it could be argued that life offices are rather special in that performance measurement is less important even over quite long periods than actuarial arithmetic—though in the end, the level of bonuses on which profit policies must rest reflects the achievements of fund managers.

It is a pity that no paper was presented by a pension fund manager. Like life funds, pension funds are subject to long term actuarial assessment but they are not cushioned against liabilities in real terms and in practice their managers are usually subject to very close monitoring of performance.

As for unit trusts, short term performance is a crucial selling point, but it is important to know also the risk profiles of the trusts. Exeter University is pioneering here with the launch of a risk/performance measurement service for UK unit trusts. It turns out that very few unit trusts have a beta coefficient (or exposure to overall market fluctuations) greater than unity. Many have low betas, against the UK market.

Market timing

The data has been examined to see whether unit trusts are successful at market timing—in other words whether they raise their portfolio betas (by buying more volatile shares or reducing liquidity) when the market is low, and reduce betas again when the bull market peak is near. The conclusion is that betas on average actually move slightly the wrong way in bull and bear phases—perhaps only because high sales of units tend to push up liquidity in bull markets. On a risk-adjusted basis,

however, performance actually improves during a bull market.

Investment trusts began in the last century by taking the high risk "B-road" but have since mostly switched to "A-road" investment in efficiently priced quoted investments. That they have failed to perform impressively is, perhaps, something that could have been predicted on the basis of MPT, though it is also due to quirks like the loss of the investment currency premium. Now, a number of them are moving back on to the B-road in search of inefficiently priced investments in areas like small companies and venture capital opportunities. Unfortunately, the investment trust representatives pointed out, MPT says nothing about how they can do this successfully.

In the end they are forced back on good old fashioned judgment, of the kind that cannot be encapsulated in a computer program—at least, not yet.

Role of MPT

But although many of the fund managers were cautious about the role of MPT in their everyday activities, there was a general willingness to explore ideas. Meanwhile the academics were largely unimpressed by assaults on MPT such as that by the Institutional Investor, an attack which was seen as being both rather old-fashioned and rather confused.

It is agreed that there will be detailed flaws in risk analysis when betas are measured against a market proxy such as the All-Share Index because the proxy is unlikely to move precisely in line with the market as a whole. But it has yet to be shown that the errors are sufficiently large to render the analysis invalid. A theory does not have to be perfect to be useful.

This argument is put over strongly in a paper just produced by brokers Rowe Rudd, who are very active in the MPT field. They also point out that MPT is much more than just beta; in fact it is not one theory at all but a group of theories which are not necessarily mutually interdependent.

There is certainly scope for wondering if there is much sense in measuring betas against the All-Share Index when some other criterion for performance is used—an international or world index, for example. But theories are invented in order to be disproved. So long as American professors have access to money and computer terminals there is little danger that MPT will die.

New plans for Bank shelved

By Peter Riddell in Washington

CONSERVATIVE PARTY pre-election proposals to give the Bank of England greater independence seem certain to be shelved for the indefinite future.

A change in the balance of influence over economic policy is expected by officials, following the monetary mess of the summer, when sterling M3, the broadly-defined money supply, jumped sharply after the end of the corset controls on the banks.

After an immediate heated inquest, conducted by the Prime Minister herself, personal relations at the highest level appear to have been more or less restored. There is general acceptance that a period of unhurried re-examination of monetary policy and controls is needed before decisions are taken later this autumn. One example of this is the seminar on possible changes in matters of monetary control being jointly undertaken by the Bank and Treasury today.

Governor's role

Nerves are, however, still raw among policy-makers. Senior advisers recognise that Mr. Gordon Richardson, the Governor of the Bank, will, at least for the time being, not enjoy the powerful, and occasionally predominant, say he has had on interest rate and monetary policy issues for the last three or four years. The Bank's advice seems certain to be scrutinised more closely and sceptically in the future.

The other result is that tentative moves towards giving the Bank more independence are likely to go no further. Further steps, such as giving the Bank greater day-to-day discretion in the conduct of monetary policy, also seem unlikely to go ahead.

Mrs. Thatcher given Gulf war briefing

MRS. MARGARET THATCHER, the Prime Minister, was given a special briefing yesterday to bring her up-to-date with developments in the Gulf War.

She was also told that Lord Carrington, the Foreign Secretary, is postponing his tour of the Far East and returning to London. He was due to visit Tokyo and Peking.

The meeting, held at Chequers, was called to brief Mrs. Thatcher following her return from Yugoslavia.

Mr. David Howell, Energy Secretary, was called specially to the meeting to outline the effects of the conflict on Britain's oil supplies.

Also present were Sir Ian Gilmour, deputy Foreign Secretary, Mr. Francis Pym,

Defence Secretary, and Mr. Douglas Hurd, a junior Foreign Office minister.

Although no details of the briefing were released, Mr. Pym is understood to have given an assessment of the military threat to the Straits of Hormuz through which pass much of the Western oil supplies from the Gulf.

The next scheduled Cabinet meeting at which the developments in the Middle East will be discussed will take place on Thursday.

Meanwhile, Mr. Hurd told Conservative Party workers in a speech that "we certainly favour and support the U.S. plan for a rapid deployment force outside the Gulf ready to move at the first sign of Soviet intervention."

Continued from Page 1

Zia truce mission

of other Gulf states.

The Iraqi army yesterday also continued its advance in the northern sector and said it had overrun the town of Gilan Gharb, 30 miles south-west of Qasr-e-Shidin which was taken last week.

In the south heavy fighting was again reported around the towns of Khorramshahr and Abadan. Hand-to-hand fighting was reported from one quarter of Khorramshahr, and at Abadan the oil refinery received further hits from artillery and aircraft.

Iran said its forces had badly mauled an Iraqi army column at Kermanshah in the northern sector, knocking out a number of tanks, and had another Iraqi force surrounded at Susangerd in the south.

Its air force again struck at targets in Baghdad on Saturday, and yesterday said it had bombed oil installations in Kirkuk and Mosul. A Syrian official in Damascus said that

the oil pipeline from Kirkuk to Basra on the Mediterranean had ceased operating early on Saturday as a result of Iranian bombers.

Iraq has accused Syria of delivering military supplies to Iran, and with its oil terminals on the Gulf at least temporarily out of action will be watching the Damascus Government closely. Relations between Syria and Iraq have deteriorated seriously since the brief rapprochement last year.

President Hafez al-Assad of Syria is expected to visit Moscow shortly and officials in Damascus have been hinting that he will sign a Treaty of Friendship and Co-operation that could also involve Soviet troops being stationed in Syria.

An Iranian air raid on Saturday night appears to have inflicted heavy damage on the oil refinery storage tanks a few miles west of Basrah.

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issue this week will be on defence, but here the indications are that Mr. Callaghan will see a fiercely unilateralist resolution defeated by trade union block votes.

There is little doubt, however, that the party's rank-and-file activists are moving fast towards unilateral nuclear disarmament, and this could also develop before the next general election into a highly divisive internal issue.

The hopes of Mr. Callaghan and the Right of modifying the Leftward stance of the National Executive Committee sank last night with the news that the AUEW, the second largest union, was not prepared to support the ousting of two Left-wingers from the women's section.

This means that Mr. Callaghan and the